

Arab Republic of Egypt

OFIDO supervision report 2018

Supervision report

Main report and appendices

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Abbreviations and acronyms

AENRI	Agriculture Engineering Research Institute
ARC	Agricultural Research Center
BCWUAs	Branch Canal Water Users' Associations
CDAs	Community Development Associations
CDIAS	Central Department of Irrigation Advisory Service
EALIP	Executive Authority for Land Improvement Projects
FAR	Foreign Affairs Relations of MARL
GOE	Government of Egypt
GPCU	Governorate Project Coordinator Unit
III-MP	Integrated Irrigation Improvement and Management Project
IIS	Irrigation Improvement Sector of MWRI
IAS	Irrigation Advisory Service
MAs	Marketing Associations
MFIs	Micro Finance Institutions
MALR	Ministry of Agriculture and Land Reclamation
MOPIC	Ministry of International Cooperation
MTR	Mid-Term Review
MWRI	Ministry of Water Resources and Irrigation
NPCU	National Project Coordination Unit
PMU	Projects Management Unit of MARL
PSC	Project Steering Committee
OFIDO	On-Farm Irrigation Development Project in Old Lands
RIMS	Results and Impact Management Systems
SEDO	Small Enterprise Development Organization
SF	Supplementary Financing
SFD	Social Fund for Development
WUA	Water User's Associations

A. Introduction¹

1. The On-Farm Irrigation Development in the Old lands Project (OFIDO) was approved by IFAD Executive Board on 17 December 2009 and entered into force promptly on 18 February 2010, but due to unforeseen political events and attendant frequent government reshuffles, Project activities started only towards the end of 2012. The total project cost stands at USD 72.16 million over an eight-year implementation period. IFAD is contributing with a financing package of USD 47 million Loan and USD 1million Grant². The Project is now in its 8th year of implementation and completion date is scheduled on 31 March 2018. A Mid-Term-Review (MTR) was conducted in January 2015, which came up with a series of recommendations which contributed to some noticeable improvement in the OFIDO implementation progress.

2. The objective of this Supervision Mission, that visited the country during the period from October 11th to 24th, 2017, is twofold: (i) to assess progress made in the implementation of the Project activities, and (ii) discuss and agree with the government on key strategic measures that would enhance and ensure an effective and efficient implementation of project activities during the remaining period of the project's life.

B. Overall assessment of project implementation progress

3. **Objective:** The overall goal of the Project is to improve the livelihoods of the rural poor in the Project area through targeted interventions to enhance agriculture production and raise household incomes. This is to be achieved through a series of interventions under four main components, namely: (i) irrigation and water management; (ii) agriculture competitiveness enhancement; (iii) rural enterprise and micro finance development; and (iv) project coordination and management.

4. **Implementation progress:** The Project is currently being implemented in five governorates and has been extended to two additional governorates through a supplementary financing agreement. By the end of September 2017, . The disbursement percentages for original and additional Loans in SDR was 45,40%and 8.71% respectively. While for the original and additional Grant, was 96,87% and 18,96% respectively.

5. **Actual expenditures up to date.** The total actual expenditures of the project until 30 of September 2017 total amount of Million USD 34,292 continued to be very low only 37.2% % of the total allocated budget after 7.5 years that elapsed since the project entered into force. only 7.2 % spent since last supervision mission (one-year time)

6. This relatively low level of disbursement is partly due to delays beyond the control of the project. The latter delays are mainly due to political and socio-economic instability experienced by Egypt during the first years of implementation. Other factors were the significant complexity of institutional implementation arrangements (the success of the project was contingent on smooth collaboration between MALR and MIWR) as well as the underestimation of the social dimension related to establishing viable water users associations (WUAs)/

7. The mission assessed the work progress of the irrigation and water management component and came to the conclusion that at current implementation pace, the project will only complete about 20,000 feddans (60% of overall target area) by the present closing date of March 2018 . Furthermore, the adjunction of new areas with the supplementary financing would require more time to compensate for early implementation delays as well as farmers organisation into legally recognized WUAs. An extension of 9-month the project period of implementation would be necessary to achieve the on-

¹ Mission composition: Mr. Abdel Karim Sma (Regional Economist and Officer in Charge, Egypt Country Program), Mr. Tarek Kotb (Country Program Manager, Team Leader), Mr. Aziz Tabet (Water Management and Irrigation specialist, Consultant), Mr George Jadoun, (Procurement specialist, Consultant), Ms Howaida El Hawari (Country Programme Officer, gender and targeting), Mr Tarek Al Shaeib, Ms Judith D'Souza (Gender, Poverty Targeting Specialist, Consultant)(Finance Specialist, Consultant), and Mr. Mohamed Abdel-Latif (National Implementation Support Specialist, Consultant). Ms. Marie Nagy from MOIC joined the mission for field visits for Middle Egypt.

going civil work contracts and reach a reasonable rate of achievement (estimated at 77 %) through the improvement of about 24,000 feddans.

8. **Implementation Approach.** The project approach had the challenge of introducing on privately-owned land major changes in the on-farm irrigation distribution system. This could not be achieved without the firm agreement with the land owners. The Project has lately incorporated in its programme the necessary participatory demand-driven approach and as a consequence made noticeable progress. These include the quality of on-site adaptations of the detail design responding to farmers requests, the supervision and control of the civil works and the hydro-mechanical equipment, the technical specification and proper supervision of the schemes, establishment and strengthening of the water user associations. However, in terms of its physical targets, there are still uncertainties of technical and socio-institutional nature that the mission believes would constraint the project in completing its activities by the end of the project period. The accumulation year after year of deviations from project design of various natures, that were supposed to solve encountered problems, have worsened the situation in the sense that the mission could not see coherence in the project interventions and clearly apprehend the overall strategic direction

9. The mission is of the opinion that, without adopting a clear and sound implementation approach and a tight planning and supervision of civil works contracts that takes seriously into account social aspects, the Project would not be able to develop an effective, sustainable and beneficial model for modernizing the irrigation system in the old lands.

Agreed action	Responsibility	Agreed date
A detailed time frame should be agreed upon with all the contractors that would be tightly monitored	NPCU	Immediate
A robust programme for WUAs establishment and training should be prepared to, cover all the improved mesqas	NPCU/IIS	End November 2017

C. Outputs and outcomes

Component 1: Irrigation and Water Management

10. The specific objective of the Irrigation and Water Management (IWM) component is to improve water availability and reliability and application efficiency of on-farm irrigation water. This is to be achieved through: (i) improved irrigation and modernization of the existing old on-farm distribution system for more rational use of irrigation water; (ii) enhanced water management practices for more equitable distribution of available water particularly for the benefit of tail-end users; and (iii) greater and more effective participation of users and stakeholders in water management for sustainable irrigation and crop production increase.

11. The component encompasses two sub-components: (i) Rehabilitation and Development of On-farm Irrigation Systems which is mainly of hardware modernization type; and (ii) Institutional Development and Capacity Building aiming at grouping, organising and training users into Water User Associations legally recognized at mesqa and branch canal levels that would take over operation and maintenance responsibilities.

12. The project component design involves both technical and socio-institutional changes in the irrigation infrastructure and on-farm operation. The technical aspects consist of replacing individual large number of uncontrolled farmer small lifting diesel pumps located at multiple points along the branch/sub-branch canals by a single collective electrically-powered pumping station and replacing earth open mesqa (tertiary) and marwa (quaternary and field ditches) canals by a low pressure buried pipelines distributing directly water to farmer plots through outlet hydrant valves. The socio-institutional interventions consist, through a participatory and demand-driven approach, of providing assistance to convince farmers to shift from a traditional system whereby they pump individually in a uncontrolled and chaotic pattern (source of conflicts and lack of equity for those who are the tail-end

of the canals) to a modernized system whereby they collectively pump water from a single point at the branch canal and collectively operate and maintain on-farm irrigation systems through their own Water User Association (WUAs).

13. The component was designed for rehabilitation and modernization of on-farm irrigation systems over an area of 25,500 feddans in the selected commend areas in the governorates of Kufr El Sheikh and Beheira (12,000 feddan) in Lower Egypt, and in Assiut, Sohag and Qena in Upper Egypt (13,500 feddan), benefiting some 25,500 farmers (OFIDO1). The project was expanded in 2013, to include an additional 7,100 feddans in Beni Suef and Minya to benefit 5,145 additional farmers. In aggregate terms, it is expected that the project will cover 32,600 feddans and benefit 30, 600 households (OFIDO 2).

14. **Overall implementation progress assessment.** During the period under review, while the project was facing many constraints mentioned by previous supervision missions and MTR, an unanticipated additional constraint of financial nature related to the Government decision to depreciate dramatically the Egyptian Pound against the USD has exacerbated the situation. . By the time of the mission, while the project is about to complete (end of March 2018) and despite project management efforts, the physical achievement in Upper Egypt is still lagging behind schedule. Of the OFIDO 1 target area of 25 500 feddans only about 12 372 ³feddans have been improved (48% of the total OFIDO 1,) and none of OFIDO 2. Major remaining areas of concern are related to the delays in construction works. As presented in Table 1 below, only about 2 877 feddans in Upper Egypt have been improved (21%) and about 36 pumping stations are operational. While encouraging results are being registered in Minya and Beni Suef with regards to the establishment of WUAs, there are still uncertainties in Qena, Sohag and Assiut where the project has established Marwa Committees (MCs) under the umbrella of Farmer Cooperatives Law.

15. Notwithstanding these relative modest achievements, the mission expects significant progress in the upcoming months owing to the recent involvement of MWRI regional offices in the implementation of project's activities. Such involvement has been made possible by a MALR/MWRI MOU which entered into force in 2016. Under this MOU the responsibility of the supervision of mesqa improvement and the establishment of WUAs has been assigned to the Irrigation Improvement Sector (IIS) MWRI staff is working in close collaboration with MALR field extension officers. . This new modus operandi has proved to be successful in Assiut, Minya, and Beni Suef. This model of cooperation should be extended to other areas of the project. During field visits the mission noticed the dynamism and enthusiasm of the technical officers involved from both sides and the readiness of the new contractors to speed up the process by organizing tight on-site decision making.

16. The project management informed the mission that he is planning to complete by the end of March 2018 the works already awarded through 15 contracts covering an area of 12 619 feddans equivalent to the improvement of 308 mesqas (Table 1). This gives an average implementation rate of nearly 60 mesqa per month. Mission's observations in the field, discussions with contractors and assessment of the social and technical constraints suggest that this rate of implementation is unrealistic. The mission advised the project to ask the contractors to come up with a realistic time frame for works implementation on which future plan of works could be build. On the basis of its own , observations the mission made an assumption regarding the percentage of the works that could be achieve by the date of project closure.(Table 1). Of the 308 mesqa that are planned to be improved only about 180 could be achieved by the end of March 2018 (63%). The mission is therefore of the opinion that the project duration need to be extended in order to be able to achieve all the works that have been commissioned to contractors. By the end of the period of extension, the total improved area would reach 15 496 feddans which would represent 75% of the project design target areas in Upper and Middle Egypt (20 600 feddans) and 77% of the total project targeted area (OFIDO1 and OFIDO 2 combined: 32 600 feddans).

³ 9 495 feddans improved in Lower Egypt and 2 877 feddans in Upper Egypt.

Table 1: Implementation Progress in Upper and Middle Egypt (OFIDO 1 and 2)⁴

Governorate	PDR targeted area	Detail Design target	Number of Pumping stations/mesqas per detail design ⁵	Civil works, pumping station and mesqa/marwa improvement under signed contracts					Remaining mesa/marwa to be improved during the extension period	
				Completed Handed over or ready to be Handed over (Number, Area)		on-going at various stage (number, area)		Expected by end March 2018	Number	Area
Qena I	4500	4977	88	11	1157	76	3820	60%	30	1 528
Qena II (Luxor)	-	3000	55	8	400	47	2610	100%	0	0
Assiut	4500	4252	94	4	234	31	1 293	50%	16	647
Sohag	4 500	6771	117	13	1 086	10	500	100%	0	0
Total OFIDO 1 in Upper Egypt	13 500	19 000	354	36	2 877	164	8 223	6 049	46	2 175
Beni Suef	3 000	3 602	48	0	0	48	1728	50%	24	864
Minya	4 100	2 668	96	0	0	96	2668	40%	58	1601
Total OFIDO 2°	7 100	7 924	144	0	0	144	4 396	1 931	72	2 465
TOTAL OFIDO in Upper Egypt	20 600	26 924	498	36	2 877	308	12 619	7 980	128	4 640

17. During its meetings with project management, the mission stressed: (i) solving the issue of compensation for crop production losses; (ii) ensuring that contractors have the capacity to mobilize more means and resources; (iii) enhancing the adoption of an effective participatory process for the organization and empowerment of water users, and (iv) tight planning and monitoring of the supervision and control that are prerequisite conditions if the project expects to reach an acceptable rate of achievement and ensure sustainability. The mission is therefore of the opinion that the overall progress in component's activities implementation performance is **moderately unsatisfactory**.

Sub-component 1.1: Rehabilitation and on-farm irrigation development.

18. **Progress of work in Upper Egypt.** In Qena, Assiut and Sohag overall implementation was relatively slow due to the reliance on relatively small and low-qualified contractors and the shortcomings related of contract management with the OFIDO PMU. This situation led to the termination a series of non-performing contracts in 2017 and their replacement by new contracts. .

19. **Qena:** In Qena, under the previous contracts almost all the civil works for 77 intakes have been achieved and the pumping equipment and pressurized irrigation system have been achieved for 11 Mesqa with the improvement of an area of 1 157 feddans, under the previous contracts. In the framework of the procurement plan restructuring, the project awarded 4 new contracts covering an area of 3 820 feddans over 76 mesqa. The concern of the mission regarding the timeframe under which these contracts will be completed has been expressed during field visit to contractors during a

⁴⁴ The figures in this table are based on the data provided by the NPCU in the tables summarizing the implementation status of civil work contracts up to 10th October 2017

⁵ The number of mesqa n Beni Suef and Minya are those related to the planned areas under the new design by MWRI and awarded in the new contracts and not those that have been proposed by the initial design study.

meeting with them, particularly in the case of Tanta Motors contractor that has been awarded 3 contracts of the 4. The mission has not been provided with a detailed time schedule despite its request.

20. **Assiut:** in Assiut the project has so far reached 47 firm agreements for the construction of intakes of the 94 initially planned and for which 4 mesqa were improved under previous terminated contracts. Two new contracts covering 1 293 feddans over 31 mesqas and one contract for 12 mesqa is under the process of being awarded. . The mission visited on-going works and pumping stations equipment on 10 of them along the El Maana branch canal. The works are progressing well and the supervision and control well organized. The contract for the remaining 12 mesqa for which the civil works were achieved through the previous contract is being processed. The mission has drawn the attention of the project that 4 of the remaining 12 intakes are at the tail end sub-branch canal and during field visit farmers expressed strong need for the completion of the installation of the pumping equipment and the pipelines for marwas of their mesqa. Knowing that four mesqas at the upstream part of the sub-branch canal have been fully equipped and handed over to users, it is the project duty to complete the equipment of the 5 remaining mesqas on the same sub-branch located downstream the canal.

21. **Qena II (Luxor):** In Luxor a new mode of procurement was adopted by the project to speed up implementation rate for the improvement of 3,000 feddans over 55 mesqas. It consists of commissioning the entire package made up of detail design, construction of works as well as the supply and installation of pumping equipment for mesqa/marwa improvement. The contractor is paid based on the number of feddans improved. The contractor has completed almost all the civil works over 44 intakes and finalized the electro-mechanical installation and pumps inside 36 of them. Due to difficulties encountered in getting farmers authorization for access their land for the installation of buried pipes, the contractor has been able to complete only 8 mesqas (400 feddan). The major pending issue that is hampering the pace of implementation relates to the project unsuccessful attempts to convince some farmers to allow the contractor into their fields in the absence of timely action to compensate for crop losses.

22. **Sohag:** Before the restructuring process of all the previously awarded seven contracts, implementation pace in Sohag was expected to move quickly since the bidding documents included the whole package for the construction of the intake and pump house (civil works) and the installation of pumping equipment and improvement of the mesqa/marwas. Due to social constraints, very slow progress has been registered. The last mission noticed that of the total 117 planned mesqas, works were only on progress in 69 sites of which 15 have been completed. The reason according to project management was due to the necessary additional discussions and formalizations with farmers to collectively decide and agree on where to locate the pumping station sites and the field hydrants. The situation was somehow critical in the sense that the plan of work of the Electricity Company did not match the progress of the installation of pumping stations. As a result some equipped pumping stations were waiting for electricity connection to undertake the necessary tests and transfer to the WUAs for operation and maintenance. At the time of restructuring only 13 mesqa/pumping stations were completed covering an area of 1 086 feddan, 11 of theme (970 feddans) have been transferred to WUAs. For the remaining non-equipped mesqas, the project prepared 6 new bidding documents for 45 mesqas over an area of 3 494 feddans.

23. **Electricity Supply:** With regards to the electricity supply grid, the contracts signed with local companies are progressing relatively well according to the Consulting Firm (SOFEE) in charge of the supervision and control met by the mission. In Assiut, and Qena the installation is almost completed (96% and 72% respectively) and the connections to pumping stations are done as soon as the pumping equipment is installed. In Sohag the electrification reached an implementation rate of 44%.

24. The mission discussed the issue of the lack of coordination and pace adaptation between the path of execution of the electricity grid and the pumping stations equipment particularly in Assiut. It has been recommended that the exact situation need to be documented and the priority should be given to mesqas that are closer to the electricity grid. Further plan for mesqas improvement should seek to minimise the areas where the grids have been installed with no development from the project.

25. ***Progress of works in Middle Egypt. Minya and Beni Suef:*** On-farm irrigation improvement in the areas selected in these two Governorates will be financed by the Supplementary Financing (OFIDO 2). Implementation is at its early stage for the works planned in the 9-civil works, pumping equipment and pipeline network installation contracts (6 in Minya and 3 in Beni Suef) covering a total area of 4,396 feddan (62% of the targeted 7,100 feddans). Activities started only by the fifth of July 2017 and are assumed to be completed in 8 months by the end of March 2018. The initial target of the number of mesqa was of 73 mesqa in Minya and 44 in Beni Suef according to the initial detailed design documents. The mission was informed that the detail design studies and bidding documents that have been completed, financed by local funds, have been reviewed by IIS/MWRI and major changes/adaptations have been introduced. Among them the reduction in the size of the command area of each mesqa in total to take into consideration social constraints. Hence the on-site adaptation/review of the mesqa/marwa layout design ended up with an increase of the number of mesqas and hence the number of pumping stations: 96 in Minya and 48 in Beni Suef. Since the minimum discharge capacity of the pumps in the contracts is 30 l/s which is largely sufficient for a mesqa of 25 feddans in average, the project has decided to add a second pump of 30 l/s as spare. The Project also accepted according to the design to provide water users with an additional diesel generator in case of frequent electricity supply cuts. Various explanations were given to the mission regarding this over-dimensioning, particularly the short duration (5 days) of the rotation for water availability in the sub-branch canals during the summer season and the local practices of daily irrigation period (16h/24). The efficient use of all this equipment would require the development of an operation manual based on which a training programme of pumping stations operators should be built.

26. Furthermore, in these two governorates, the selection of the branch/sub-branch canal have been proposed by the MWRI. During field visit the mission was informed that some of the sub-branch canals are: (i) not in a good working conditions and (ii) that adequate quantity of water is not available during the peak period of crop water requirements. The project should have paid attention to these two criteria spelled out in the project design report. The issue of water availability was strongly voiced by the farmers to the mission during a large on-site meeting. While in most branch canal water flows continuously although inflows are volumetrically regulated, water is supplied to sub-branch canal on rotation basis. In Beni Suef in addition to tail ender difficulty in getting water, downstream sub-branches also have problems that should be taken into consideration.

27. Construction supervision and quality control are assured by two private consulting firms commissioned by the Project as a Technical Supervisors to monitor and check the day-to-day quality control and quantity measurement of the works carried-out. They inspect and approve the materials at site as per specifications before they are used in the works to ensure compliance with the technical specifications and issue immediate notices to the contractor as per provisions of the contract if such materials and works fail to comply with specifications. They ensure that pipelines are tested for pressure strength, leakage, and proper functioning. According to the on-site Consulting Firm technician, all the joints and valves are carefully inspected for leakage and any visible leaks are repaired. Besides the consulting firms, engineers from IIS/MWRI and Extension service from MARL participate in the monitoring of the compliance of the construction works with the detail design and in providing assistance about any on-site adaptation of the design. Electrification works are controlled and supervised by a qualified consulting firm (SOFEEED). All the consultants produce monthly reports based on daily monitoring as appropriate.

Sub-component 1.2: Institutional Development and Capacity Building.

28. The aim of this sub-component activities is to provide technical assistance and support for initial community awareness and social mobilization programmes, formation and establishment of the water users associations as well as training in on-farm water management techniques, and improved irrigated agriculture. The overall achievement of this sub-component is limited in terms of effective number of WUAs established and number of training sessions as well as the variety of topics covered.

29. ***Formation of WUAs at mesqa level.*** In Lower Egypt, the Project builds on the existing WUAs established by IIS/MWRI under the Irrigation Improvement Project. Since the project had to intervene

at marwa's level it has established about 1,078 MCs over the 9,545 feddans improved and organized training sessions mainly on how to operate the hydrants and to plan irrigation scheduling and distribution rotation.

30. In Upper Egypt governorates the project, while awaiting the finalization of the Agreement with MWRI that has taken more than two years, has established about 119 Marwa Committees (MCs). 33 in Assiut, 48 in Sohag and 38 in Qena. In Luxor due to poor consultation and awareness activities, the project failed in convincing farmers to organise themselves into MCs. Under the abovementioned agreement, the IIS in Minya has started the formation of mesqa WUAs in Beni Suef and Minya. Of the currently planned improvement of 228 Mesqa, 185 have been established and 121 have been legally registered under the WUAs Law. In the areas where the IIS has not started the establishment of WUAs, such as Assiut, Qena, Sohag and Luxor, the Mission emphasized to the project management the necessity of providing additional support to IIS to start in these areas the organisation and formalisation procedures.

31. Under the Water Law No. 213 of 1994, WUAs can collect fees from the members according to the tariff they set per feddan. Such fees cover the expenses related to electricity consumption, salary of the pump station operator and the mesqa O&M. Existing WUAs visited by the mission in the project area seem capable of carrying out the assigned tasks.

32. **Formation of Marwa Committees (MCs).** At marwa level, the project supported the establishment of Marwa Committees (MCs) registered under the umbrella of Farmer Cooperatives Law. Each of those MCs is a grouping 5 to 10 farmers connected to an individual marwa and using the same butterfly valve abstracting water from the main pipeline. MCs are required to delegate three members to be part of the WUAs of the mesqa/pumping station that are being legally established by the MWRI. Linkages between the WUA and MCs at a mesqa level are not yet clear to the farmers. Their involvement in MCs could provide an organized bridge between the grassroots level and the WUA that makes visible the benefits of working together and cooperating through collective actions to improve water management.

33. **Formation of WUAs at Branch and sub-branch Canal levels (BC-WUA):** The purpose of BC-WUAs is to represent a collective association of users on a branch canal and liaise with the Irrigation Sector Engineers in charge of canals operation. During the period under review, the project did not launch any activity related to the establishment of Sub-branch canal WUAs for the simple reason that establishment of Mesqa/Pumping station WUAs have not yet established due to delays in construction works. During mission's visit in Assiut where nine pumping stations are being constructed, farmers expressed once again their interest to be federated into Sub-branch canal WUA to better plan the operation and maintenance of the branch canal in collaboration with the MWRI authorities and give the opportunity to water users to voice their concerns, particularly the tail-end users. The mission reiterated the last mission recommendation that a first step should focus on the upgrading of the sub-branch to ensure a continuity in the process of rehabilitation.

Agreed action	Responsibility	Agreed date
Upper Egypt: Luxor: The project should find a solution to respond to farmers requests for compensation of crop production losses during mesqa and marwas pipeline works installation.	NPCU	End October 2017
Contractors access to land. The NPCU would undertake an assessment of the farmers willingness to accept access for the contractors for the on-farm improvement and facilitate to the improvement	NPCU	End October 2017
Water User Associations: The project clarifies in collaboration with local authorities, farmers cooperatives and the Irrigation improvement sector representative the status and responsibility of the pumping station equipment and define modalities and conditions for its handing over to established WUAs.	NPCU/IIS	On-going
Upper Egypt: Electrification. The project management should monitor closely the progress of the Companies in charge of electrification and provide assistance needed to solve all the bottlenecks to ensure electrification does not hamper the completion of work by contractors and the handing over to WUAs	NPCU	End December 2017

Upper Egypt: For the 26-pumping station that are already being operated by farmers and those that will be completed soon the Project management should elaborate a temporary agreement with water user representatives that benefit from a new pumping station on the way to use the facilities before the formal transfer to their WUA once it is registered	NPCU	End March 2017
Upper Egypt: Assiut: The need to complete the equipment of the 5 remaining mesqas located downstream that should have given priority since they suffer more from water shortages being at the tail end.	NPCU	End March 2018
Middle Egypt. Minya and Beni Suef. The project should provide the on-site adaptations of the detail design of mesqa layout, bill of quantities and drawings for the whole mesqas of each contract awarded to the contractors.	NPCU/IIS	Immediate
Upper Egypt. Formation of WUAs. A solid and effective program of formation of WUAs needs to be defined in collaboration with IIS/MWRI in line with the newly signed protocol. The program should cover managerial, legal, institutional, and technical aspects.	NPCU	End December 2017
Farmers awareness: Organize a visit for selected leaders of a group of farmers and pumping station operators from Upper Egypt to visit WUAs in Behera.	NPCU	On-Going

Component 3: Rural Enterprise and Microfinance Development

34. **Objective.** This component is designed to provide necessary finance, capacity building and business advisory services for on- and off-farm micro and small enterprises in Project villages. The component consists of: (i) rural finance through demand driven lending; (ii) strengthening financial intermediaries (CDAs, NGOs), and (iii) support to Marketing Associations and MSEs.

35. **Implementation modalities.** The component is implemented fully by the Micro, Small and Medium Enterprise Development Agency (EDA, the former Social Fund for Development [SFD]), using its standard operating procedures and existing outreach mechanisms. EDA extends micro-loans for income generating activities to targeted Community Development Associations (CDAs) serving the targeted villages, and somewhat larger loans through the Small Enterprise Development Organisation (SEDO), either directly to or through cooperatives which in turn serve as financial intermediaries. Capacity building of CDAs and NGOs is provided through EDA as well. The baseline survey of CDAs and agricultural organizations in the Project areas covered 44 villages, 167 CDAs and 73 agricultural organizations.

36. **Through five WAs, an amount of USD 5,252,704 representing 55.8%** of the total allocation of USD 9.42 million, has been transferred to EDA. Cumulative disbursements of EDA by August 2017 stood at USD 4,159,746, representing 79% of the receipts and 44% of the allocation.

37. **Implementation progress.** As of August 2017, EDA provided 75 loans to small enterprises amounting to EGP 23.77 million, which represents above 70% of the planned disbursement by SEDO. SEDO extended a loan agreement to an agricultural cooperative union in Qena, Kafr El-Sheikh, Assiut and Beheira in the amount of EGP 17.5 million. This union, acting as intermediary, on-lent the whole loan amount received from the EDA. The small enterprise loans are being used for dairy processing, trade in fertilizers and seeds, sorting and packaging of rice and other agricultural products. The loans extended by the cooperative union were utilized to acquire trucks and agricultural equipment to assist sugar cane farmers in their businesses and improve their incomes. The Central Microfinance Sector (MFCS) of EDA has so far signed eight loan agreements with CDAs and one with Bank du Caire; the latter was signed on 30/7/2017 for a total amount of EGP 75.59 million. CDAs have already disbursed EGP 6.35 million to their ultimate borrowers. The total value of loans recycled by CDAs of the revolving facility was EGP 14.08 million. The table below provides a summary of disbursement to-date.

Table 2: Amounts contracted and disbursed by EDA as at August 2017

EDA unit	No. of loans	Value of contracts in EGP	Amount disbursed to intermediaries in EGP	No. of loans	Amount on-lent to end-borrowers
SEDO	75	23,773,938			23,773,938
SEDO to cooperatives	5	17,500,000	14,801,344	124	Loans from EGP 25,001 to 500,000
MFCS	9	75,592,100	23,350,000	2,469	14,082,250

38. With regard to small enterprises, EDA disbursed a total of EGP 41,273,938 by the end of August 2017. From this amount, 75 loans amounting to EGP 23,773,938 were directly provided to small enterprises (out of which 27 loans were granted to women entrepreneurs, representing 36% of the loan number), and five loans to cooperatives in Qena, Kafr El-Shiekh, Assiut and Beheira. Of the EGP 17.5 million contracted, the five cooperatives already received EGP 14.8 million which was disbursed to 124 individuals amounting to EGP 13,155,612; of the latter, 16 loans were disbursed to female entrepreneurs. Loans to the cooperative borrowers ranged from EGP 25,001 to a maximum of EGP 500,000 to acquire machinery and trucks used by farmers. The geographic distribution of the small enterprise loans is shown in the table below.

Table 3: Geographic Distribution of Small Enterprise Loans as at August 2017

Governorate	Amount	In % of total
Beheira	8,615,828	36.25%
Kafr El Sheikh	6,162,257	25.93%
Assiut	4,428,961	18.62%
Sohag	2,545,243	10.70%
Qena	2,021,649	8.5%
Total	5,465,838	100%

39. With regard to microfinance and as of August 2017, loan contracts worth EGP 75,592,100 have been issued to 8 CDAs and Bank du Caire. Due to the revolving nature of microloans, CDAs have disbursed a cumulative loan amount of EGP 14,082,250 to their end borrowers. CDAs have extended a total of 2,469 loans for trade, services, small-scale manufacturing and crop and livestock production. Of the total loans, 1,233 loans or 49% went to women. Overall, the loans have created 2,310 jobs (as measured at the time of loan application by EDA). A breakdown of the loans by purpose is given in the table below.

Table 4: Use of micro-loans under OFIDO as at August 2017

Sector	Amount in EGP	In % of total	Number of Loans
Free Occupation	5,000	0.05%	1
Commercial	7,109,800	50.49%	1,178
Service	1,327,500	9.43%	213
Livestock/Crop Production	5,229,950	37.14%	1,012
Industrial	410,000	2.91%	65
Total	14,082,250	100%	2,469

40. **Gender aspects.** Under small enterprise lending, 32% of the value and 36% of the number of loans have been granted to women. Under the microfinance operations, 47% of the value and 50% of the number of loans have been granted to women. These data show that women do get about the same average amounts as men, and are more equally participating and being served under the microfinance windows.

41. The Microfinance Central Sector of EDA has effectively addressed most the last supervision mission's recommendations and made remarkable efforts to assist CDAs to comply with the regulator's requirements and obtain licenses as microfinance institutions. This has enabled the EDA to resume its lending activities as CDAs are now licensed and eligible for borrowing from EDA and other sources. EDA also addressed the last supervision mission's recommendation to extend loans for a period of five years, instead of three. Issues not addressed by EDA comprise the design and implementation of a Comprehensive Capacity Development Program for CDAs and Relevant Stakeholders, with details provided regarding macro, meso and micro levels. Despite the fact that EDA has not contributed to the capacity development of the CDAs, there is little scope for repeating the recommendation a few months before the original completion date. In addition, such a complex venture as proposed by the 2016 supervision mission requires substantial experience, and human and financial resources, which may not be entirely available in EDA.

42. The mission commends EDA for consistently focusing on the proper targeting of loans to reach the intended beneficiaries. In terms of geographical targeting, all loans have been extended within the governorates of the targeted project areas and mostly within the vicinity of the targeted villages. In terms of sector targeting, the vast majority of the loans are directed towards small and micro enterprises that are revolving around agricultural on- and off-farm activities.

43. No recommendations are provided at this time.

44. The mission rates this component as **moderately satisfactory**.

D. Project implementation progress

45. **Project Management Performance:** Even though the project benefitted from a period of stability with the current Project Coordinator appointment for more than four years, the project suffered from lack of continuous policy guidance impacted by the frequent turnover of high level positions at the MARL. In addition, facing many constraints, some beyond project control, the project management organization proved to be less prepared to overcome effectively all the bottlenecks in a situation where the Project Steering Committee (PSC), established at the early stages, was not able to meet for the last two years. This has led to the lack of focus on key issues that can be detrimental to the future strategic vision and development of on-farm irrigation improvement in the old lands.

46. While the project has in place adequate capacity for administrative management and benefitting from the staff of other projects housed at the PMU and managed by the same Coordinator, the small number of full time staff contracted by the project proved to be inadequate. Moreover, given the volume of works, the project has not been able to establish an independent technical civil engineering staff to ensure quality of detail design reports and drawings and assist the Coordinator in decision making regarding all the deviations that the social reality in the field may cause. Many key decisions are being made on an ad-hoc basis without regard to the long-necessary harmonisation and synchronisation of the large number of activities.

47. The Mission assessment of the current pace of implementation and prospects of its acceleration indicated that the project will achieve the improvement of about 60 to 70% of the targeted area by the current closing date of March 31, 2018, therefore the mission believes that the overall performance rating of the quality of Project management is moderately unsatisfactory.

48. **Climate and environment focus** is rated as satisfactory. Climate change impact studies predict in Egypt in general, and in the project area, losses in productivity increase and crop water. Hence crop water requirements are likely to increase. The project in its concept and design would generate among farmers awareness about the need for rational water use and significant water

savings. The project responds to the urgent need to address the lack of efficient use and equitable distribution of water in the context of increasing demand.

49. In addition, the project does not support activities that might generate significant irreversible environment impact. The project has, through a process of participatory planning, a direct positive social and environmental impact. The model of mesqas improvement that consists in shifting the current traditional irrigation practices based on poorly maintained earth channels to a modern system that replace mesqa and marwas by covered pipes that would reduce significantly waterlogging, water borne diseases and increase water use efficiency. Farmers met by the mission have confirmed that in addition the system relieves them from the hard labor required for surface irrigation obligations. This has increased the quality of their life and overall improvement in health. The reduced number of diesel small pumps and the electrification source of energy for pumping is reducing carbon emission and diesel pollution in the branch canals.

50. **Partnerships** are rated as moderately satisfactory. The Project implementation partners have played a key role in providing support for implementation. At the MARL level, the Project has put in place an effective institutional framework of implementing partners and agencies responsible for respective modules of implementation. These agencies provide technical assistance and advises among them the Agriculture Research Center, the Extension Sector, the SWERI, AENRI and EALIP⁶ of MARL and the regional Farmer Cooperatives. At the level of MWRI, with which cooperation was considered key element for project successful implementation, effective partnership took some time to materialize. However, this cooperation has been somewhat uneven, and the project has finally recently concluded the agreement under which promising positive impact is expected.

51. **Monitoring and evaluation.** The M&E system for OFIDO project started in January 2013; the project hired one M&E Consultant at the central office and there are 9 M&E Field Officers (Government Employees) in 6 Governorates (2 in Beni Sweif, 2 in Minya, 2 in Assuit, 1 in Sohag, 1 in Qena, and 1 in Luxor) supporting the M&E Consultant in collecting data and reporting. Reports received also from the Technical team, Quality Control firm and OFIDO Market Specialist were a tool to verify the data. The Field Officers used to send a semi-annual reports to the M&E consultant, after the implementation mission during July 2017 the Field Officers started to send a monthly report.

52. According to the recommendations of the Implementation Support Mission during July 2017, the project recruited (1) Senior & (6) Junior Contract Management Officers to work at the OFIDO (I and II) Project Area at the (6) Middle & Upper Egypt Governorates.

53. The Project updated the forms used in collecting data and 2 workshops were conducted during 2017 and 42 participant attended the workshop (Field M&E specialists and Directors of the Agricultural Extension Service).

54. The Project submitted the RIMS till June 2016 (Level 1 & 2) on March 2017. The Project prepared the draft RIMS till June 2017 (Level 1 & 2) (attachment 1), some of the indicators did not reach 50% achievements and some exceeded 100%, a strong monitoring needed to ensure achieving the target.

– First-level results:

Correspond to project outputs. These results are generally planned and implemented on an annual basis. Project outputs can be measured through simple quantitative indicators. It is further noted that such measurements are conducted annually on regular basis since the project started its activities. Outputs are to be measured against pre-set Project LFW.

– Second-level results:

Refer to the project outcomes. These correspond to 'what happen next to households, individuals, groups, communities, or institutions after the implementation of project activities and achievement of outputs. Measuring outcomes (quantitative and qualitative) through

⁶ SWERI: Soil and Water Engineering Institute, AENRI: Agriculture Engineering Institute, EALIP: Executive Authority for Land Improvement Projects.

analysing physical, social, economic and environmental improvements in irrigation, agriculture and community changes and so in the behaviours of households and individuals, changes in the performance of groups and institutions, etc. Second-level results look at the extent to which a given project activity was successful in reaching specific outcomes, assessment of effectiveness, and at the extent to which the benefits are likely to be sustainable after the end of project support, assessment of sustainability by using rating approach which should be supported by flexible mix of evidence gathered through qualitative and/or quantitative methodologies.

55. Due to variations in the implementation of the project activities between the Upper & Lower Egypt Governorates, the RIMS “Level II” reporting was conducted at the two Lower Egypt Governorates of Kafr El-Sheikh & Behera first. Completion of civil works allowed the project to conduct a study to measure the effectiveness and sustainability; external consultant supported the project with some guidance to measure the results. The results can be summarized as follows:

- Possibilities for the sustainability of the “Cooperative Marwa Committees – CMCs” following the completion of the project at the two Governorates rated (Moderately unsatisfactory). The main reason for this rating is that there is no structured organizational legislation to insure their future continuity.
- Meanwhile, the effectiveness of such committees in solving on-water management related problems among farmers rated (Moderately satisfactory), since they still lack support to increase awareness about their roles, obligations & services they can provide to other Farmer Associations.
- Effectiveness of “Natural Resources Management” indicator and related activities like; programs for soil amelioration and water retention capacity, were not presented in a rather satisfactory way and it has to be more emphasized, rated (Moderately unsatisfactory), and the same applies to the “Modern Agricultural Production Technology” indicator.
- Possibilities for the sustainability of the “Cooperative Marketing Committees – CMCs” following the completion of the project at the two Governorates rated (Moderately unsatisfactory). No significant marketing activities were performed at Behera Governorate in particular, also, few extension activities were presented at Kafr El-Sheikh were not sufficient.
- Possibilities for the sustainability of the “Intermediary Financial Institutions” following the completion of the project at the two Governorates rated (Moderately satisfactory). The Participatory Agricultural Cooperative Association in Behera Governorate, being one of the Intermediary Institution got access to credit lines from the Enterprise Development Agency (EDA), formerly the SFD.
- Regarding the “Modern On-Farm Irrigation Practices” following remarks were noted as extracted from the study:
 - Ratio of water availability (in cubic meters/hour) measured at tail and head ends reached 84% compared to 50% before project interventions.
 - Water pumping cost reduced by 50%.
 - On-Farm irrigation time reduced by 40%
 - Labour manpower reduced by 33%
 - Irrigation operating and maintenance cost reduced by 48%
 - Additional increase in the cultivated area by 4%

56. During March to June 2017 the project conducted a short study at Upper Egypt (Qena, Sohag & Assuit) to measure the farmers' satisfaction regarding the on-farm irrigation improvement through conducting a “Field Survey to explore the opinion of (70) beneficiaries” by using rapid research participatory approach. The results of the survey supported the M&E consultant to prepare the AWP&B 2017/2018.

57. The samples were selected on the head, middle and tail of the accomplished Mesqa and it is not necessary that the selected sample is statistically representative, as is the case with the implementation of a full study, which is scheduled to be implemented after the passage of two seasons at least after the completion of the implementation.

58. A questionnaire has been designed for this purpose & results of farmer satisfactions can be summarized as follows:

- The study indicated that the awareness of selected sample in the following topics is:
the importance of the project (87%), project benefits (87%), irrigation cost (45%), irrigation regularity (60%), decrease irrigation cost (85%), saving water (84%), increase cultivated area (90%), irrigation equity (50%), operation system (44%), maintenance responsibility (24%), WUA's on the branch canal level (31%), WUA's on the Mesqa level (61%), cooperative marwa committee (76%), cooperative marketing committee (26%), cooperative rural women committee (25%), getting loans (31%) and interest rate (13%).
- The study showed other topics such as: information sources, technical problems and obstacles, increasing cultivated area, irrigation time, ability for operating and maintenance for on-farm irrigation system, farmers satisfaction.... etc.).

59. It was noted that the Marketing activities of the project have contributed to the realization of the following impacts in spite of the fact that the on-farm irrigation improvement has not been completed yet:

- The awareness of the Cooperative Marketing Committee (CMC) members have increased in negotiations, contract drafting & writing, also, good agricultural practices skills , accordingly 606 marketing contracts were concluded.
- The concluded contracts resulted in (10-30 %) increase in the average income of the rural households according to the following:
 - (10 %) increase in the production of the traditional field crops (sorghums, maize, wheat & sweet melons),
 - (20%) increase in the production of industrial & food processing crops (soybeans, sesame, winter onions, sugar cane & tomatoes)
 - (30 %) increase in the productivity of the export crops (basil & summer onions).

60. The Impact of the Farmer Field Schools (25 Farmer Field Schools: 15 in Behaira Governorate and 10 in Kafr Elsheikh) has been studied during August – November 2016 at the Lower Egypt Governorates "Project Area" in cooperation with the Agricultural Extension Representatives. Following has been reported:

- Farmers' skills have been remarkably increased following their adoption to the newly introduced technologies in certain activities.
- The average productivity of the Principal Crops has recorded an increase of almost (15%),
- The impact measurement study of the FFS's implemented in the Upper Egypt Governorates has not yet been completed since this is the first crop season since it was introduced.

61. The PMU will conduct the full study to evaluate the farmers' income and their acquired skills according to Component two (II) activities in Upper Egypt after the termination of the on-farm irrigation development works, which is still in progress (AWP&B 2017-2018).

62. Responding to the last aide-memoire comments, the M&E is planning, to conduct three technical and extension studies-related evaluations on the on-farm system performance before and after project interventions, also to measure the adoption rates of the newly introduced technologies and farmers' satisfaction as stipulated at the (2017-2018).

63. Future Plan related OFIDO IMPACT:

- Preparing & designing a sound database system to collect data and information, analyse and report to monitor and explore the possibility of replicating the successful experiences and practices.
- Planning to conduct an elaborate training course on the "Operation & maintenance of the newly introduced on-farm irrigation technology" for the sons of beneficiaries, village dwellers & stakeholders, besides developing an illustrated "Operation & Maintenance Manual"
- Planning for the implementation of the newly developed on-farm irrigation practices over the (5) million feddans through the introduction of the optimal implementation designs as extracted from its experience and success stories in this respect.
- Planning to conduct the Project Impact Study during 2018

Agreed action	Responsibility	Agreed date
Monitoring and Evaluation: Enhance coordination management and monitoring of project activities to identify problems and issues to be addressed and initiate corrective actions	M&E Consultant	Immediately
Prepare a realistic M&E plan to ensure improving the performance of the project to achieve the target of the RIMS indicators	M&E Consultant	Immediately
Improve the quality of reporting to include qualitative data to measure the outcomes and impact	M&E Consultant	Immediately

64. Annual Work Plan and Budget: The NPCU is responsible for preparing the AWPB, in coordination and cooperation with relevant departments and partners at the central and local level. The AWPB 2016 - 2017 has been submitted to IFAD on time and its quality has been improved compared with the previous ones. However, the Coherence between AWPB and implementation is rated **moderately unsatisfactory**. The approved OFIDO I and II total AWPB for the year 2016 - 2017 is USD 17.819 million and USD 5.903 million respectively. By 30th June, 2017 the OFIDO I and OFIDO II had recorded total expenditures of USD 3.731 million and USD 0. 856 million representing 20.9 % and 14.5 % execution of the total AWPB for the year 2016 - 2017. This utilization rate is still low and is considered unsatisfactory. Low budget execution has been attributed to failure by OFIDO NPCU to complete procurement actions in the proper time. Concomitantly, the physical implementation of the AWPB is less than 10%. Efforts should be scaled up to improve budget execution. A narrative work plan for the year 2017-2018 to support the submitted budget should be developed and submitted to IFAD.

65. Gender: The Project approach regarding gender mainstreaming is geared more towards women gaining access to credit and information. A total of 1065 women and 7238 men benefitted from the on farm irrigation interventions in Upper Egypt. . The activities included training program for job creation, female farm leaders, extension seminars, women cooperative committees, marketing cooperative committees, meetings with the governorate extension staff and farmers field school. A total of 1118 loans were disbursed to women and 1212 to men for various purposes. The project is making efforts in collaboration with GIZ-Project, to achieve previous mission recommendation that at least 50% of all FFS should be exclusively for women farmers and small business entrepreneurs. Presently there are 102 women in Lower Egypt and 68 women in Upper Egypt participating in the FFS. There are 4 FFS exclusively for women in Upper Egypt which is more conservative. With regards to trainings, women are seen mainly in modern agricultural production technologies, livestock production and business entrepreneurship with a large number of women participating in the rural women's development trainings. While the Project has focused on women in providing livestock training which is an area of high interest for women it also needs to include women in crop and dairy production, post-harvest technologies as well as enterprise development. The table below provides the data from the project on the participation of men and women in the various trainings.

Table 5: The participation of men and women in the various trainings

IRRIGATION AND MARKETING TRAINING	Men	Women	% of women
Management of irrigation infrastructure	2803	104	3.6
Natural resources management	1182	42	3.4
Post-harvest handling & agricultural marketing	139	7	4.8
Rural women development	19	179	90.4
Modern agricultural production technologies	276	125	31.2
EXTENSION AND TRAINING			
On-farm Irrigation & water management	9,377	354	3.6
Crop production practice	2,136	375	14.9
Livestock production and rural women development	309	2,606	89.4
Post production, processing & marketing	1,821	19	1.0
Business/entrepreneurship	1,092	285	20.7
SERVICE PROVISION			
Service Providers	990	311	23.9
People are accessing advisory services facilitated by project	10,139	1,253	11.0

In relation to the presence of women in the various grassroots organisations it is seen that there are 31 women and 697 men in the 109 cooperative marketing committees. There are additional 44 cooperative women committees that are formed only for women.

66. There is presently a Gender Specialist only for Lower Egypt as the Gender Specialist for Upper Egypt resigned November 2016. The Agriculture Extension and Training Officer and the Liaison Extension Officer for the Governorate have been carrying out the activities that are women centric but they do not have any formal training or experience in gender⁷. Data analysis from a gendered angle would have considerably helped in determining a more mainstreamed approach to address social equity issues within the Project. Since data on outreach and RIMS is updated once a year and there is no gender analysis carried out for the component outcomes, it becomes difficult to ascertain a comprehensive understanding of performance in gender. One can only look at the sex disaggregated data and sample field visits to come to an understanding of women's participation in project activities. Women are represented in the various foras that include men but the quality of their participation is presently not measured or monitored. The mission recommends to consolidate the outreach, output and outcome performances on a quarterly basis, and to react more proactively by engaging in a dialogue with partners on how to overcome any problems. The project should carry out a gender assessment of all project components to understand the impact of the project on women and women headed households. The gender focus of the project is rated **moderately satisfactory**.

67. **Poverty:** The mission is satisfied that the Project is generally targeting the poor households in the selection of irrigated areas that would benefit from the improvement and this was also observed the other two components regarding training and provision of micro-loans. In the case of the enterprise loans these are generally provided to the more entrepreneurial individuals who may not be from among the poorest. The employment creating potential of the enterprises and the multiplier impacts generated through increased demand for locally produced goods and services extend the benefits to some poorer households as well. However there is no data to corroborate this inference. Many of the marketing activities, including those supporting linkages with buyers and processors, and

⁷ The project strategy for gender mainstreaming rests addressing institutional barriers to women empowerment requires the recruitment of qualified women personnel to facilitate outreach to rural women, gender sensitization of staff and community members, provision of services on-site (especially for training on irrigation practices and new technology) and simplification of procedures for women's access to resources.

the training activities, are geared towards low income people. The poverty focus of the project is rated **satisfactory**

68. **Poverty Targeting:** The Project is targeting the poor through a 3 tiered approach (i) Geographical targeting of selected governorates where rural poverty is high (ii) selection of irrigation command areas where there is a predominance of small holder farmers with lands under 3 feddans (iii) self targeted interventions that would mainly interest the rural poor. The self-targeting approach of the micro loans by which the low maximum loan values granted to borrowers served to keep the relatively better-off out as they are not interested in the amounts available. As there are no appraisal targets, there is no measuring of poverty targeting in the project as per the various groups identified. Quantifiable targets for targeting are posed to be a challenge for the project due to the very nature of the project. However it is seen that many women are involved in the rural finance component and the women centric activities of the project. It may also be noted that target groups like youth, female headed households etc may be project beneficiaries but are largely invisible in any of the databases of the Project. Landless labour may be employed in the various enterprises finances through the rural finance loans or in the marketing components but this is not measured or monitored at any level.. As in PRIME, EDA can carry out a quick poverty assessment of the beneficiaries to understand their economic levels. This will aid in providing IFAD and the GOE with data on the kind of beneficiaries of the micro finance component as well as provide a projection for targets to be achieved.

Agreed action	Responsibility	Agreed date
Consolidate the outreach, output and outcome performances on a quarterly basis	NPCU – M&E Officer and Gender Specialists	
Carry out a gender assessment of all project components to understand the impact of the project on women and women headed households	Gender Specialists and M&E Officer	
EDA can carry out a quick poverty assessment of the beneficiaries to understand their economic levels	EDA	

69. **Social Sustainability:** The mission was impressed with the farmers ability to take initiative and demonstrate ownership to operate and maintain some of the systems as soon as they have been implemented. However, due to the existence of influential farmers of vested interests and social stratification, the social sustainability of the modernization depends upon clear arrangements for water rotation and use among the different users and ensuring that the tail end users are given their share of water. This will be stimulated by the strengthening of WUAs capacity and also by the modality of paying directly pumping electrical energy costs by using prepaid cards.

70. The 2016 RIMS study undertaken by the project assessing effectiveness and sustainability, indicated that the possibilities for the sustainability of the “Cooperative Marwa Committees – CMCs” following the termination of the Project at the two Governorates rated / scored (3) on the measurement scale (somewhat unsatisfactory). The main reason for this rating is that there is no structured organizational legislation to insure their future continuity, similar to those of the Water Users. Meanwhile, the effectiveness of such Committees in solving water management related problems among farmers scored (4) meaning (somewhat satisfactory), since they still lack support in understanding their roles, obligations & services they can provide to other Farmer Associations.

71. The mission on the other hand did come across the interest of the beneficiaries in maintaining the irrigation systems as the project approach had instilled in them a complete sense of ownership due to the benefits that the water users were now accruing. However, in regard to the RIMS study, the project will deploy extra efforts to build stronger cohesion in the Marwa Committees to ensure that these institutions are able to sustain post project as they are part of the whole irrigation system. Overall rating is **moderately satisfactory**.

E. Fiduciary aspects

72. **Financial management.** Financial management. The quality of Financial Management of the Project has been rated moderately unsatisfactory.

73. As the project came to an end there is no major changes regarding last year Key recommendations the software is not installed and it is too late to install it is cannot be used to record 7 year transactions but could be used for another project in NPCU or any other IFAD projects. The financial manager is the most experience staff member who can prepare WA, financial reports. No regular financial reports or bank reconciliation has been prepared only prepared for WA submission and audit purpose. There is no procedures manual could be followed in absence of the financial manager. Financial documents archiving is very poor and unorganized

74. **Organization and staffing.** A dedicated finance unit is established within MALR and has the responsibility of the overall financial management and accounting for the project's activities that are implemented by NPCU and funded by different financiers including IFAD. The unit is consisting of 7 finance staff (Financial Manager, Accountants/Officers and Assistants). The financial manager of OFIDO is the head of financing department at MALR. For project tasks he is responsible for preparing withdrawal applications, bank reconciliations and financial reports. He keep financial reports format on excel sheet no one else in the project can prepare the financial report and submitted to him for review and quality control He is overloaded with his main job and has no enough time to carry out the job of the project and try to improve the financial management of the project and improve the capacity of the other project staff. While the Financial Department of SFD is responsible for the overall financial management of externally funded projects including the rural finance component under OFIDO. The staff is reasonably qualified and the number deemed sufficient to manage the finances of the project.

75. **Budgeting.** The consolidated AWPB is prepared by the NPCU for all activities including those related to Rural Finance that are implemented by SFD. The AWPB including budget from the Government counterpart contributions should be approved by the Project Steering Committee, however the Steering Committee has not been active lately and no meeting was held to approve the 2017/2018 AWPB. IFAD Loans and Grants budgets are viewed by the government as part of the national budget. MALR includes the project budget as part of its annual budget, which is discussed and approved by the Ministry of Planning and Ministry of Finance respectively and before the final submission for Parliament's approval.

76. **Actual expenditures up to date.** The total actual expenditures of the project until 30 of September 2017 total amount of Million USD 34,292 continued to be very low only 37.2% % of the total allocated budget after 7.5 years that elapsed since the project entered into force. Only 7.2 % spent since last supervision mission (one-year time). The total expenses from July 2016 till 30 June 2017 was USD 4.9 Million represents 5.3% of the total project allocated budget

77. Government counterpart fund flows quarterly to MALR accounts at National Investment Bank but the finance department keep separate book to record project expense.

78. **Designated accounts.** As of 30 September 2017, the closing balances of the designated accounts including the equivalent in USD of balances in local currency in the operational bank accounts are USD 0.513 million Loans - NPCU, USD 0.229 million Grants – NPCU.

79. For SFD revolving fund, total number of 5-withdrawal applications has been transferred from IFAD to revolving bank account at Central Bank of Egypt with total amount of USD 5,252 million. Total disbursed amount to the end users as of 30 September is USD 5,245 million, closing bank balance shows an amount of USD 1,556 the differences amount of 5,444 USD is the bank charged since start of the project till 30 September 2017.

80. **Bank Reconciliation.** The NPCU did not prepare bank reconciliation for all bank accounts on monthly basis. For proper monitoring the fund utilizations and as internal control issue the mission highly recommend that that NPCU must prepare the bank reconciliation on monthly basis and get proper signature by the management.

81. **Internal controls.** The internal disbursement / control system within the NPCU and SFD follows the government procedures and is rated satisfactory. As governmental agency segregation of duties and several controls layers are, exist. All financial transactions of NPCU are approved by the project director after being prepared by the technical person/requestor, reviewed by the assigned internal auditor to the project and verified by the financial controller (a representative of the Ministry of

Finance assigned to the project), a check is then issued by the finance unit in MALR and an accountant then records the transactions. Records are maintained manually in the books of accounts and recorded into excel.

82. Most payments are made using checks, only small payments are allowed to be made by cash as advances and which then justified by presenting the supporting documents. Financial transactions are further subject to ex-post review by a government auditor from the Central Audit Organisation. While for payments from the loan designated account managed by SFD are only made in local currency using checks or bank transfers and converted to USD applying the exchange rate by the bank of the day of the transfer; no cash payments from IFAD loan proceeds are allowed.

83. The Egyptian Minister of Finance issued a circular no 7 for the year 2017 stating that with effect from 1 December 2017 that no governmental agencies are allowed to issue any checks and the governmental disbursement to the contractors and services providers will be process through E payments. This will be applied to the governmental contribution. The NPCU noted that they contact already the officials in the Ministry of finance and asked them to exempt the project account from this procedures as it is not governmental account and this will be consde4ered violation of the financing agreement The mission recommends that the NPCU should make sure that the project still be able to keep designated and pool accounts in the name of the projects and could have monthly bank statements showing the income and expenses of the project as per the financing agreement of the project.

84. **Accounting.** NPCU does not use accounting software system. At the beginning of the project the NPCU procure Comsess software to record the transactions but due to the lack of knowledge of the requirements between the Software Company and NPCU the software does not work. NPCU have tried to contact the software company in order to sign a technical assistance contract but the software company asked for 100% down payment before starting the services but their request was rejected by NPCU as the software company refuse to submit letter of guarantee to NPCU, which does not comply with governmental regulations. It is too late now to install the software as the project came to an end but the mission recommends to contact software company about installing and activation the software which could be used for other projects already carried out by NPCU or could be used by other IFAD project as the software is already procured.

85. **Financial Reporting and Monitoring.** NPCU do not prepare financial reports upon quarter basis but only prepare it on annual basis for audit purposes this is a major weakness point and leads to poor monitoring of project activities and disbursements rate the reports including the statement of expenditures by component, category and financier, the statement of sources and uses of funds by financier, category and component. The financial statements are prepared on cash basis.

86. Payments made by SFD under rural finance component are recorded in a computerized financial system using Oracle software application. This system is installed at central and regional level and it allows detailed information on the beneficiaries, projects, amounts, etc. The financial reports of the financial services are produced by this system and with limited manual intervention.

87. **Internal audit.** At NPCU level, there is a financial controller, of the Ministry of Finance, but does not perform the normally prescribed and entrusted role of an internal auditor. He however reviews and verifies every transaction against the corresponding documentation, as per government requirements, before submission to finance unit of MALR for payment. He is a signatory on the checks.

88. SFD has an internal audit department at central and regional levels, and the financed project-related transactions are covered by an internal audit department in accordance with the departmental annual work plan. The audit department has a well-established statement of mission objectives, which attempts, among others, ensuring that procedures set in the operational manual are enforced, internal audit missions are conducted, and the coordination among the various operating aspects of this entity is undertaken. In addition, the internal audit sector has a checklist for the audit of projects funded through the CDAs and another checklist for the audit of small projects funded through intermediaries.

89. **Disbursement is rated as unsatisfactory.** The disbursement percentages as of 30 September 2017, for the original and additional Loans in SDR were 45,40%and 8.71% respectively.

While for the original and additional Grant, the disbursement percentages were 96,87% and 18,96% respectively.

90. **Counterpart funds is rated as moderately satisfactory.** Counterpart funds were budgeted at USD 1.309 million under both original and additional financing. The rate of the accumulated actual expenditures against the total appraisal amount was 71.5% as of 30 September 2017. The mission however noted that there have been repeated delays in receipt of counterpart funds particularly during the first quarter of each financial year.

91. **Compliance with loan covenants.** The Project's compliance with Loan Covenants is rated as moderately satisfactory. The Mission noted partial compliance in relation to the PIM, delays in releasing counterpart contribution; progress financial reports lack required details, and the steering committee has not been active lately and composition is not as suggested in the financing agreement.

92. **Procurement.** While procurement transactions were implemented essentially in compliance with the national procurement legislation (OFIDO I) and IFAD Procurement Guidelines (OFIDO II) yet the procurement component suffered from the overall problem affecting project implementation which is the absence of effective project management coordination mechanisms (especially as among NPCU, MWRI and the MALR departments in the field) and the absence of a "fit-for-purpose" procurement strategy. Contracts were incorporated into the procurement plan in the pursuit of achieving irrigation improvement targets without due consideration of the essential pre-conditions like willingness of the farmers to join WUAs and readiness of MWRI to assist in the formation of WUAs as well as the ease and costs of connection to the electrical grid and availability of water (or service condition) of the sub- branch canals. The lack of such Procurement Strategy (includes contract packaging in line with confirmed farmers' buy-in to the project's irrigation improvement rationale and related benefits and obligations, selection of procurement methods subsequent to essential market research and its inherent risks coupled with sufficient knowledge of the delivery capacity of contractors operating at the location or willing to do so, packaging in line with NPCU's capacity to administer related contracts including choice of contract types whether unit rate or lump sum or turnkey or force account or material & labour plus overhead/profit etc.) resulted in the termination of some 20 contracts in early 2017 due to contractors' default (inability to perform) thus causing excessive project implementation delays. The Mission rates the procurement component as "moderately unsatisfactory" and has reached the conclusion that no further contracts on OFIDO I or II are to be tendered and that no pending no-objections by IFAD will be granted in the interest of completing ongoing works commensurate with NPCU's current capacity to effectively manage the multitude of concurrent contracts under its responsibility. This strategy of the Mission with respect to the procurement component links IFAD's concurrence towards expanding the number of concurrent contracts within current project life, or any extension to it, with the NPCU's proven capacity to implement successfully in the field. It is a necessary safeguard against scattering NPCU capacity too thin on the ground with the potential negative reaction of the beneficiary farmers should the started works never get completed before the project's end date. The performance of the NPCU in developing actions to deal with the mission-identified procurement risks under paragraph 88 below will shape any potential changes to the procurement strategy adopted by the Mission for the remaining life of the project (as formulated in this paragraph and in the attached procurement Annex).

93. **Procurement Staff:** The NPCU is understaffed with only one procurement officer on part-time basis who is in charge of processing all tender competitions assisted by other MALR staff on "as available" basis. Contract management is also centralized with one officer handling all contractual matters under the supervision of the NPCU Director. This situation was assessed by the Support Mission of July 2017 as unsatisfactory and the NPCU Director was requested to recruit six additional field contract administrators/implementation supervision staff along-with a supervisor overseeing their performance in order to assure proper contract reporting and effective contract administration of all ongoing OFIDO I & II contracts.

94. **Procurement Plan (PP):** The procurement plan prepared by the NPCU is up-to-date and is comprehensive of all contracts under implementation or planned with a well-detailed indication of the procurement process steps followed by the NPCU. IFAD's no-objection to the PP was granted on 10

Aug 2017. The attached Procurement Annex outlines the changes to be introduced into the revised PP to be submitted by the NPCU within three weeks of the completion of this Mission in line with this Mission's findings.

95. Contract Administrators/supervision officers: The NPCU is to be commended for quick deployment of the six contract administrators proposed by the last support mission of July 2017 as well as their supervisor. The Mission is of the opinion that their presence on the field is crucial to reinforce effective contract administration by the NPCU including quality control and real-time reporting. Their role is foreseen to represent an early warning mechanism designed to monitor contractors' performance as well as that of the QC consultants in real time and to allow the NPCU to decide on contractual matters supported by contemporary evidence as raised from the field by the respective contract administrator. This will serve to prevent a repeat of the regrettable situation of the termination of 20 ongoing construction contracts in early 2017.

96. Risks associated with currently awarded contractors:

The Mission has identified a number of procurement-related risks which include:

- i. Limited capacity of NPCU staff in conducting bid evaluation of the contractors' technical submissions and of their qualification and past performance credentials.
- ii. Unclear division of roles in the supervision/quality control of Works' implementation whereby the QC consultants are subordinated to the representatives of MWRI and both are not empowered by the NPCU to assume their supervision roles in a meaningful manner as would be expected under the standards of professional practice
- iii. The need for close examination of the impact of the NPCU's offer to provide trench excavators to the contractors at a nominal daily rate of 200 EGP. Such voluntary practice by the NPCU may present a dis-incentive to the contractors to arrange for their own excavators thereby restricting excavation and pipe-laying work of the contractors to the equipment offered on subsidized rates by the NPCU with potential productivity losses by contractors who chose to save money and wait for NPCU excavators.
- iv. One of the contractors (Tanta Motors) was awarded 4 contracts in total (3 in Qena and 1 in Assiut) and is currently proposed by the NPCU for the award of further 3 contracts in Sohag and one in Assiut. The current performance of this contractor poses a perceived risk because of the low class of his classification with the Egyptian Contractors' Union in the field of water and sanitation (which does not entitle him for the current volume of contracts on OFIDO). The Supervision Mission, following assessment of the rate of progress of this contractor since its award and the quality of works executed by it, recommends not to award the 4 additional contracts in Sohag and Assiut to this contractor who has limited experience in the field and is dependent on subcontracting the works to a series of labour subcontractors.
- v. The Mission requests the NPCU to use the newly-appointed contract administrators/supervisors along-with the QC consultants to review and establish exact Bills of Quantities of ongoing contracts (awarded in order to complete the previously-terminated contracts of March 2017) in order to ensure that the present contractors do not engage in double counting and to clarify the responsibility of the new contractors to remedy any installed but damaged previous work against additional payment by the NPCU subject to the obligation to hand-over to the WUAs the mesqas and merwas in a defect-free condition in accordance with their respective contracts' specifications and performance outputs.
- vi. The Mission recommends that the NPCU promptly alerts the electricity companies of potential changes in the required Bills of Quantities in the respective Governorates that may emerge as a result of the re-scoping of the improved irrigation coverage as a result of the findings of this Mission.
- vii. The Mission requests the NPCU to delete the provision in current contractors' contracts whereby a delay penalty will accrue on every delay in implementation progress with respect to the approved planned timeline/program. The NPCU is to replace this provision in the respective contractor's contract with a requirement to produce within two weeks its revised program/timeline with the measures to be taken to speed up implementation in order to respect the approved completion date of the works. Imposition of delay damages takes effect

only upon real delays as measured at actual completion in comparison with planned contractual completion (taking into consideration any legitimate time extension that be granted by the QC/MWRI supervisory staff).

97. The Mission urges the NPCU to require the awarded contractor “Abdel Hamid El-Sayed” for contract w-2 in Sohag (no-objection already granted by IFAD) to sign the corresponding contract without further delay. The Mission also urges the NPCU to pursue the approach indicated in the attached Procurement Annex for amicable settlement of the dues of this contractor and “Mashtal Al Amal” contractor who continue to perform on previously terminated contracts without the NPCU recognizing the risks associated with such continued performance.

98. **Audit. Quality and timeliness of audit have been rated as moderately satisfactory.** Crowe Horwath Dr. Hegazy & Co - Chartered Accountants and Consultants, a private auditor, has audited financial statements for the year ended June 2016. The auditors conducted their audit in line with International Standards of Auditing. The audit report and management letter was sent to IFAD on 17 January 2017 only two weeks after the deadline. Auditors expressed unqualified opinion on the financial statements, designated account, and eligibility of Statement of expenditure. The auditors’ performance and financial statement were rated moderately satisfactory. The NPCU is in process to finalise the procurement and appointment of the new external audit firm to audit the period covers July 2016 until June 2017.

Agreed action	Responsibility	Agreed date
To prepare the Bank reconciliation on quarterly basis for control purposes	NPCU	From now onward
To contact the ministry of finance to make sure that the project can still keep a separate designated bank account in the name of the project	NPCU	Immediately
To produce quarterly financial reports by component, sub component, category and by financier, and on monthly basis and share these with concerned stakeholders and IFAD	NPCU	Immediately
Activate the existing accounting system and contact the software company to be able to use the software for other project at NPCU	NPCU	End of the year
The Mission recommends that NPCU nominates selected staff from the NPCU and MALR staff (primarily those seconded to OFIDO) in order to benefit from additional formal procurement training opportunities (including contract management) offered by recognized training institutions while the newly-recruited contract administrators/supervisors should be coached on their respective roles and a harmonized format for their periodic reporting to the NPCU is to be developed.	NPCU	End of Nov 2017

F. Sustainability

99. **Institutional sustainability.** Rated moderately satisfactory. The sustainability of the project investments highly depends upon the quality of water availability and reliability, on-farm irrigation service and ensuring that the farmers agree with the mesqa improvement specifications and willing to assume the responsibility for the proper operation and maintenance. About water availability, the MWRI will continue to be responsible for the branch canal and upstream level system for operation and maintenance. Institutional sustainability for on-farm water distribution through the involvement of farmers at different stages of the development of the mesqa/marwa contracts including design layout and location is ensuring that the farmers have strong sense of ownership of the system and once organized into formalized WUAs should also ensure institutional sustainability. The mission noticed during the visit of mesqas that have been already equipped and transferred to informal WUA good initiatives being taken including the appointment of the pumping station operators and the organisation of irrigation schedule. Farmers explained to the mission how they have developed a

system of collection of fee on a seasonal basis for the payment of the salary of the operator, the electricity bills as well as some additional charges.

100. **Technical sustainability:** Moderately satisfactory The Project is introducing over small scale blocks (30 to 60 feddans) a proven irrigation technology for the modernization of the system with the use of high quality pipes, hydrants and pumping equipment based on engineering standards derived from experience. The technology is simple, affordable and knowledgeable to farmers capacity hence the single point pumping stations once handed over to farmers organized into WUAs will be operated and maintained by them. Granting once established WUAs ownership status regarding the new mesqa/marwa and pumping stations and providing them with adequate training on O&M will enhance the likelihood of technical sustainability. Visited informal WUAs gives confidence that they will be able to operate and maintain the system provided it is well functioning and meets their needs. However, the Irrigation Improvement Sector of MWRI (IIS) has the capacity to continue to be responsible for the O&M of branch canal and upstream level system.

101. **Environmental sustainability.** Moderately satisfactory The Project is expected to have a direct focus on the environment geared by the model of mesqas improvement. The model is simple and consists in shifting the current traditional irrigation practices based on poorly maintained earth channels to a modern system by installing under-ground pipes which are expected to enhance water use efficiency, reduce drainage problems, and reduce the losses due to evaporation and seepage in open channels especially in the summer months when there is acute shortage of water for irrigation. There is also expected to be an improvement in the environment as water channels are currently used for disposal of garbage and other solid waste which are a source of pollution and spread of diseases.

102. **Exit Strategy.** Moderately satisfactory. The mission was informed by the Government request to extend project implementation period beyond the date of closure of March 31, 2018. This would necessitate that a clear strategy is developed to guide project activities during the remaining lifetime period particularly for areas that would not be improved because of shortage of funds while planned initially in the detail design studies. The mission considers that, with support from IFAD, OFIDO needs urgently, as of the complex socio-institutional environment, to develop a clear strategy for exit and required scaling up based on an in-depth assessment of the inclusiveness of project approach and lessons learned.

G. Conclusion

103. With almost five months remained until completion, OFIDO has made considerable efforts to overcome most of the major bottlenecks that impeded its implementation, but yet the project is far beyond attaining its development objectives. Significant progress is being made by the project in all activities, including those related to improving agricultural competitiveness and rural finance, but there are still critical challenges to achieving the desired results.

104. While in Lower Egypt the work has been completed, the project has focused its efforts on Upper Egypt in the last 20 months, where social conditions require more attention and flexibility in the implementation process. Although the work in Upper Egypt benefits from the experience and lessons learned in Lower Egypt to increase quality through the introduction of improved equipment standards, OFIDO can still benefit from the services of qualified consultants in control and supervision.

105. The low level of OFIDO disbursement is due in part to the political situation in the country during the first years of implementation and the complexity of the institutional arrangement and modalities with a major constraint of social dimension which resulted in delays. The mission found that all parties concerned were ready and willing to collaborate and cooperate in addressing the main institutional, technical and social issues.

106. Given the current situation of OFIDO implementation progress, the mission recommends project extension for the following reasons:

- i. Installation of medium voltage electricity grids that cover almost all target areas and the need for utilizing these grids to the extent possible to avoid any reputational risks; and
- ii. The possibility of increasing operational target area in Upper Egypt governorates from 20% at present to 76% at completion if all Mesqas under construction and commissioned are successfully implemented and handed-over to farmers.

107. The proposed extension would only be for 9 months when all implementable activities will be completed on 31 December 2018. The implementable activities from now on and until completion on 31 December 2018 under Component 1, if the extension would be granted by IFAD senior management, would only include:

- i. Completion of the establishment of functional WUAs that cover all target Mesqas; constructed, under-construction and commissioned;
- ii. Intensifying OFIDO efforts and resources including better management of contractors/contracts to complete and finalize all Mesqas under construction and commissioned;
- iii. Coordinate with MWRI at governorate level to ensure that all delivery canals can provide irrigation water to improved Mesqas in sufficient quantity and quality; and
- iv. Handing over all completed Mesqas to the functional WUAs and ensuring that pump stations are provided by low voltage electricity.

Agreed action	Responsibility	Agreed date
IFAD receives OFIDO extension request	MoIC/MALR	Immediately
IFAD receives very clear implementation acceleration plan that considers all elements described above, time horizon and budget	NPCU	1 November 2017
OFIDO provides IFAD with follow-up monthly report on the plan implementation	NPCU	By the last day of every month
IFAD fields follow-up missions to verify work progress and provide technical support as needed	IFAD	During the last week of every three months
IFAD receives WA amounts the value of the works implemented	NPCU	By the last day of every three months

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Egypt	Project ID	1447	Loan/DSF Grant No.	801
Project	On-farm Irrigation Development Project in Old lands			Top-up Loan/DSF Grant	801
Date of Update	12 th November 2017				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	9		
Last Supervision	August / September 2016	Last Implementation Support/Follow-up mission	July 2017		

USD million Disb. rate %

Approval	17-Dec-2009			Total financing	72.15	
Agreement	16-Feb-2010	Effectiveness lag	2.0	IFAD Total	48.00	
Entry into force	16-Feb-2010	PAR value	-----	IFAD loan	47.00	15.2%
First disbursement	21-Mar-2011			DSF grant		
MTR	27-Jan-2015	Last amendment		IFAD grant	1.00	11.8%
Original completion	31-Mar-2018	Last audit	December 2016	Domestic Total	24.15	
Current completion	31-Mar-2018			Beneficiaries	8.81	5.8%
Original closing	30-Sep-2018			Government (National)	15.34	68.9%
Current closing	30-Sep-2018					
No. of extensions	0					

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	3
2. Acceptable disbursement rate	3	3	2. Performance of M&E	5	4
3. Counterpart funds	5	4	3. Coherence between AWPB & implementation	3	3
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	4	3	5. Poverty focus	5	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	5	4
			7. Innovation and learning	5	4
			8. Climate and environment focus	5	5
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Irrigation and Water Management	3	3	1. Institution building (organizations, etc.)	5	4
2. Agriculture Competitiveness Enhancement	4	NA	2. Empowerment	4	3
3. Rural Enterprise and Micro Finance	4	4	3. Quality of beneficiary participation	4	3
4. Project Coordination and Management	4	3	4. Responsiveness of service providers	5	3
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	5	5

B.5 Justification of ratings

The project is due completion on 31 March 2018 and the rate of execution and the amount of disbursement of the IFAD loan and grant are still far below target, although the project implementation pace has improved. The project management has

successfully signed a new agreement with the MWRI for tight collaborative coordination and action which slightly contributed to improved implementation performance. The Project is challenging an important change in the organization and management of the irrigation system from a somehow chaotic traditional one to a more modern and rational one, where access to water is improved with more equity in its distribution. Adequate changes have been introduced in Project management arrangements and measures are being introduced to accelerate the OFIDO implementation rate such as in some way delegation of responsibility, hiring of new skills and enhanced communication between central management unit and governorates units. To date the project has achieved, through the irrigation and water management component, the improvement of all the targeted area of 9,244 feddans of the marwa level works in Lower Egypt, as per MTR recommendation. The project intends strengthen training activities to through successfully tested Farmer Field School model in collaboration with the on-going GIZ project. The agreed cost-sharing modalities between the project and beneficiaries give a recognized ownership of project assets to farmers organised into WUAs that would take over operation and maintenance responsibilities of the system provides a good exit strategy for the project.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall implementation progress (Sections B1 and B2)	4	3

Rationale for implementation progress rating

After the transfer of individual diesel pumps to a collective electric pump and the installation of underground pipes to convey water to irrigated land, energy costs for pumping water are decreasing, equitable water distribution is recorded as well as savings in labor costs, in addition to gaining productive lands that were previously lost in open channels. The impact of the Improving Agricultural Competitiveness component has been increasing market contacts with some of the Market Committees. Market facilitation has improved the ability of farmers to market their products in some regions. The project contributes directly to improved environmental conditions through the installation of underground pipes that reduce water loss through greater efficiency in water use helping to reduce losses from evaporation and seepage in the open channels, especially during the summer months when there is acute scarcity of water for irrigation.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4
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Rationale for development objectives rating

The Mission found that a number of implementation bottlenecks are yet there despite the efforts conducted to expedite implementation, in particular with respect to the cooperation with MWRI on the establishment of WUAs at Mesqa level and ensuring water availability in delivery canals in Upper and Middle Egypt. Establishment of electricity networks is ahead of irrigation improvement works in many sites in Upper and Middle Egypt, which should not be the case. The scope of the project is now geared towards an accelerated and effective management of technical and social constraints, including those related to the required land access authorization to be improved, the ability of contractors to mobilize more resources and the adoption of an effective participatory process for irrigation management. It is foreseen that organization and empowerment of water users will have a positive impact on the implementation of the project. Although OFIDO still has the opportunity to essentially achieve its development objectives, the unanticipated shocks in the country's economy and contracting market along with the unpredictable behaviour of the some of the project beneficiaries decreases this likelihood, given the available time for OFIDO completion.

C.6 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	Yet the procurement function suffers from the absence of effective management coordination mechanisms and a "Fit-for-purpose" procurement strategy. The Mission rates the procurement component as "Moderately unsatisfactory" and has reached the conclusion that no further contracts on OFIDO I or II are to be tendered and that no pending no-objections by IFAD will be granted in the interest of completing ongoing works commensurate with NPCU's current capacity to effectively manage the multitude of concurrent contracts under its responsibility.
Project implementation progress	Yet the project is far beyond attaining its development objectives. While in Lower Egypt the work has been completed, the project has focused its efforts on Upper Egypt in the last 20 months, where social conditions require more attention and flexibility in the implementation process. Although the work in Upper Egypt benefits from the experience and lessons learned in Lower Egypt to increase quality through the introduction of improved equipment standards, OFIDO can still benefit from the services of qualified consultants in control and supervision to compensate for exiting missing skills and expertise.
Outputs and outcomes	Implementation of irrigation improvement works and formation of Mesqa WUAs is delayed. Therefore, the implementable activities from now on and until completion under Component 1 should be completion of the establishment of functional WUAs that cover all target Mesqas constructed, under-construction and commissioned; intensifying OFIDO efforts and resources including better management of contractors/contracts to complete and finalize all Mesqas under construction and commissioned; and handing over all completed Mesqas to the functional WUAs and ensuring that pump stations are provided by low voltage electricity.
Sustainability	The sustainability of the project's investments is highly dependent on the quality of water availability and reliability, the on-farm irrigation service and the fact that farmers accept the Mesqa improvement specifications and accept responsibility for the good operation and maintenance. Institutional sustainability for on-farm water distribution through farmer involvement at different stages of mesqa / marwa contract development, including design and location, ensures farmers have a strong sense of

ownership of the system and once organized in formalized WUA their institutional sustainability are ensured. The project introduces on a small scale blocks proven irrigation technology for the modernization of the system with the use of standard-based pipes, hydrants and high quality pumping equipment and techniques derived from experience. The MWRI IIS has the ability to continue to be responsible for the operation and maintenance of the delivery system. The model is simple and involves moving traditional irrigation practices based on poorly maintained Mesqas to a modern system by installing underground pipes that should improve the efficiency of water use, reduce drainage problems and reduce losses due to evaporation and seepage in open canals, especially during the summer months.

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions/Risks
Overall goal: Poverty reduction livelihoods of small farmers, the landless, rural women and unemployed youth in the project area have been improved <ul style="list-style-type: none"> 39,570 HHs reached with both irrigation water requirement and farming support. 	<ul style="list-style-type: none"> Households with improvement in asset ownership index: compare: male, single and female headed; Reduction in the prevalence of malnutrition for children under five. 	<ul style="list-style-type: none"> National Household Living Standard Surveys for project Governorates; Baseline and socio-economic surveys (gender-disaggregated). 	<ul style="list-style-type: none"> Government commitment and political stability and security.
Outcome 1: On-farm irrigation & water management have been improved and equitable water distribution has been realized <ul style="list-style-type: none"> Improved irrigation and water management in 15 command areas of approximate 26,500 feddan. 	<ul style="list-style-type: none"> Number of farmers with secure access to water resources (disaggregated by gender); Hectares of land improved through soil/water conservation methods; Number of the functional irrigation committees. 	<ul style="list-style-type: none"> Records of the Agricultural Directorate at the Governorate level; Participatory monitoring by beneficiaries, contractors and service providers; RIMS annual reporting and impact surveys. 	<ul style="list-style-type: none"> Effective cooperation between MALR and MWRI.
Outcome 2: Promoting demand-driven participatory farming system research and extension for crops, water and livestock.	<ul style="list-style-type: none"> Number of farmers reporting production/yield & herd size increase (disaggregated by gender); Number of farmers adopting recommended technologies increase (disaggregated by gender); Hectares of land shifted to cash crops; Number/value of agriculture products contracted. 	<ul style="list-style-type: none"> Records of the Agricultural Directorate at the Governorate level; Participatory monitoring by beneficiaries, contractors and service providers; RIMS annual reporting and impact surveys. 	<ul style="list-style-type: none"> Adverse weather conditions; Encouraging market conditions; Availability of water.
Outcome 3: Access to rural finance have been increased by target groups for micro & small enterprises through CDAs/NGOs /MAs as well as to MSEs.	<ul style="list-style-type: none"> Number and volume of loans provided by gender; Measuring the performance of the financial institutions (Portfolio at risk, operational self-sufficiency, active borrowers/personnel operating expenses ratio). 	<ul style="list-style-type: none"> Participating MFI(s), Banks Reports; Participatory monitoring by beneficiaries, contractors and service providers; RIMS annual reporting and impact surveys. 	<ul style="list-style-type: none"> Conducive microfinance policy and macro-economic framework maintained.

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions/Risks
Outputs 1.1: 225 Mesqa canal and 6 branch canal WUOs established. 1.2: 1000 Marwa committees (lower Egypt) established.	<ul style="list-style-type: none"> • People in groups managing infrastructure; by gender • People in groups managing natural resources; by gender • Land under irrigation schemes constructed or rehabilitated; • Land under improved management practices; • People trained in infrastructure management; • People trained in natural resources management. 	<ul style="list-style-type: none"> • Records of the Agricultural Directorate at the Governorate level. • Project reports 	
2.1: 104 MAs formed and successfully linked with traders and exporters. 2.2: 70 MAs related to rural women activities formed	<ul style="list-style-type: none"> • Number of on-farm research carried out on high value crops/products, livestock and water use; • Staff of service providers trained; • People trained in crop & livestock production practices and Technologies; • People trained in livestock production practices and technologies; • Groups formed with women in leadership position. 	<ul style="list-style-type: none"> • Records of the Agricultural Directorate at the Governorate level. • Project reports 	
3.1: At least 14,068 micro-entrepreneurs. 3.2: 48 MSEs benefit from short and medium/long term investment loans.	<ul style="list-style-type: none"> • Value of gross loan portfolio; • Financial institutions participating in the project; • Active borrowers (individuals) ; • Active borrowers (enterprises); • Value of gross loan portfolio (individuals); • Value of gross loan portfolio (enterprises). • People trained in business/entrepreneurship; • Staff of financial institutions trained. 	<ul style="list-style-type: none"> • Participating MFI(s), Banks Reports. • Project reports 	

Appendix 3: Summary of key actions to be taken within agreed timeframes

Key Recommendations: Overall Assessment of Project Implementation Progress

<u>Agreed action</u>	<u>Responsibility</u>	<u>Agreed date</u>
A detailed time frame should be agreed upon with all the contractors that would be tightly monitored	NPCU	Immediate
A robust programme for WUAs establishment and training should be prepared to, cover all the improved mesqas	NPCU/IIS	End November 2017

Key Recommendations: Component 1: Irrigation and Water Management

<u>Agreed action</u>	<u>Responsibility</u>	<u>Agreed date</u>
Upper Egypt: Luxor: The project should find a solution to respond to farmers requests for compensation of crop production losses during mesqa and marwas pipeline works installation.	NPCU	End October 2017
Contractors access to land. The NPCU would undertake an assessment of the farmers willingness to accept access for the contractors for the on-farm improvement and facilitate to the improvement	NPCU	End October 2017
Water User Associations: The project clarifies in collaboration with local authorities, farmers cooperatives and the Irrigation improvement sector representative the status and responsibility of the pumping station equipment and define modalities and conditions for its handing over to established WUAs.	NPCU/IIS	On-going
Upper Egypt: Electrification. The project management should monitor closely the progress of the Companies in charge of electrification and provide assistance needed to solve all the bottlenecks to ensure electrification does not hamper the completion of work by contractors and the handing over to WUAs	NPCU	End December 2017
Upper Egypt: For the 26-pumping station that are already being operated by		

farmers and those that will be completed soon the Project management should elaborate a temporary agreement with water user representatives that benefit from a new pumping station on the way to use the facilities before the formal transfer to their WUA once it is registered	NPCU	End March 2017
Upper Egypt: Assiut: The need to complete the equipment of the 5 remaining mesqas located downstream that should have given priority since they suffer more from water shortages being at the tail end.	NPCU	End March 2018
Middle Egypt. Minya and Beni Suef. The project should provide the on-site adaptations of the detail design of mesqa layout, bill of quantities and drawings for the whole mesqas of each contract awarded to the contractors.	NPCU/IIS	Immediate
Upper Egypt. Formation of WUAs. A solid and effective program of formation of WUAs needs to be defined in collaboration with IIS/MWRI in line with the newly signed protocol. The program should cover managerial, legal, institutional, and technical aspects.	NPCU	End December 2017
Farmers awareness: Organize a visit for selected leaders of a group of farmers and pumping station operators from Upper Egypt to visit WUAs in Behera.	NPCU	On-Going
Upper Egypt. Formation of WUAs. A solid and effective program of formation of WUAs needs to be defined in collaboration with IAS in line with the newly signed protocol. The program should cover managerial, legal, institutional, and technical aspects.	NPCU	On-going
Farmers awareness: Organize a visit for selected leaders of a group of farmers from Upper Egypt to visit WUAs in Behera.	NPCU	On-Going

Key Recommendations: Fiduciary Aspects		
<u>Agreed action</u>	<u>Responsibility</u>	<u>Agreed date</u>
To prepare the Bank reconciliation on quarterly basis for control purposes	NPCU	From now onward
To contact the ministry of finance to make sure that the project can still keep a separate designated bank account in the name of the project	NPCU	Immediately
To produce quarterly financial reports by component, sub component, category and by financier, and on monthly basis and share these with concerned stakeholders and IFAD	NPCU	Immediately
Activate the existing accounting system and contact the software company to be able to use the software for other project at NPCU	NPCU	End of the year
The Mission recommends that selected staff from the NPCU and MALR staff seconded to OFIDO should benefit from additional formal procurement training opportunities (including contract management) offered by recognized training institutions while the newly-recruited contract administrators/supervisors should be coached on their respective roles and a harmonized format for their periodic reporting to the NPCU is to be developed.	NPCU	End of Nov 2017

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Ministry of Agriculture & Land Reclamation (MALR) - Projects Management Unit (PMU)										
On-Farm Irrigation Development in the Old Lands project (OFIDO) - IFAD M&E - 15 Oct. 2017										
Project RIMS Report 2017 (Cumulative Data till end of June 2017)										
Investing in rural people										
SARAH										
No	Indicator Name	Unit	Appraisal Target		Achievement		% Achieve. (2016/2017) Vs. revised target (4)/(2)	Cumulative (till end of June 2017) (5)	% Cumulative Achieve (till end of June 2017 Vs. revised target) (5)/(2)	Remarks
			Main appraisal (1)	Finally revised (After midterm review Jan 2015) (2)	Cumulative (till end of June 2016) (3)	Through (1 July 2016 to 30 June 2017) (4)				
Outreach indicators										
1	Communities receiving project services	No	180	180	123	20	11%	143	79.4%	
2	Group or individual project services (Irrigation-related only)	No	1,684	1,315	1,227	431	33%	1,658	126.1%	
3	Group or individual project services (Non-Irrigation-related only)	No	373	373	125	29	8%	154	41.3%	
4	Households receiving project services	No	39,570	39,570	8,830	4,825	12%	13,655	34.5%	The total number of households that have received services is 13,655 out of 39,570 households.
5	Individuals receiving project services (men/women)	No	197,850	197,850	68,448	36,837	19%	105,285	53.2%	
6	Individuals receiving project services (men)	No	158,280	158,280	58,295	34,743	22%	93,038	58.8%	
7	Individuals receiving project services (women)	No	39,570	39,570	10,153	2,094	5%	12,247	31.0%	
Irrigation and Water Management										
8	Group managing infrastructure formed/strengthened	No	1,425	1,295	1,226	431	33%	1,657	128.0%	
9	Group managing infrastructure with women in leadership position	No	285	259	22	4	2%	26	10.0%	Small percentage of groups have women in leadership position
10	People in groups managing infrastructure formed/strengthened	No	127,500	127,500	20,404	10,382	8%	30,786	24.1%	
11	People in groups managing infrastructure formed/strengthened	male	102,000	102,000	18,567	10,143	10%	28,710	28.1%	
12	People in groups managing infrastructure formed/strengthened	female	25,500	25,500	1,837	239	1%	2,076	8.1%	
13	People trained in infrastructure management	No	11,871	8,000	3,692	3,039	38%	6,731	84.1%	The project conducted training using the following format: - 1st session: awareness raising on the importance of infrastructure management - 2nd session: technical training on infrastructure management - 3rd session: practical training on infrastructure management - 4th session: evaluation and feedback - 5th session: final report and presentation
14	People trained in infrastructure management	male	9,497	7,200	3,528	2,878	40%	6,406	89.0%	
15	People trained in infrastructure management	female	2,374	800	164	161	20%	325	40.6%	
16	Natural resources management groups formed/strengthened	No	259	20	1	0	0%	1	5.0%	Small number of groups
17	Natural resources management groups with women in leadership position	No	26	4	0	0	0%	0	0.0%	
18	People in natural resources management groups formed/strengthened	No	148,388	20,000	3,450	0	0%	3,450	17.3%	
19	People in natural resources management groups formed/strengthened	male	118,710	18,000	3,401	0	0%	3,401	18.9%	
20	People in natural resources management groups formed/strengthened	female	29,678	2,000	49	0	0%	49	2.5%	
21	People trained in natural resources management	No	31,875	8,000	818	2,182	27%	3,000	37.5%	
22	People trained in natural resources management	male	25,500	7,200	808	2,163	30%	2,971	41.3%	The project conducted training using the following format: - 1st session: awareness raising on the importance of natural resources management - 2nd session: technical training on natural resources management - 3rd session: practical training on natural resources management - 4th session: evaluation and feedback - 5th session: final report and presentation
23	People trained in natural resources management	female	6,375	800	10	19	2%	29	3.6%	
24	Land under irrigation schemes constructed/rehabilitated	ha	10,715	10,715	4,091	1,344	13%	5,435	50.7%	
25	Land under improved management practices	ha	10,715	10,715	40	17	0%	57	0.5%	
26	Staff of service providers trained	No	250	250	495	261	104%	756	302.4%	
27	Staff of service providers trained	male	200	200	414	218	109%	632	316.0%	
28	Staff of service providers trained	female	50	50	81	43	86%	124	248.0%	

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Technology transfer "Agriculture Competitiveness Enhancement"										
29	Government officials and staff trained (men)	No	280	280	110	224	80%	334	119.3%	
30	Government officials and staff trained (women)	No	70	70	79	108	154%	187	267.1%	Training topics: The importance of developing the on-farm irrigation practices - Demonstrate expected returns - Importance of establishing the Menp in Menp committees F&B - Developing on-farm irrigation techniques Irrigation participatory approaches - The role of village farm leaders - The role of rural women in improving the livelihood and living standard of their communities - Formation MAAs & WCC - and the role of SPG
31	Government officials and staff trained (men/women)	No	350	350	189	332	95%	521	148.9%	
32	People trained in crop production practices and technologies(men)	No	7,914	7,200	857	1,279	18%	2,136	29.7%	
33	People trained in crop production practices and technologies(women)	No	1,979	800	5	370	46%	375	46.9%	Training topics: Cultivation & Production Main crops & Cash crops technologies aimed at reducing losses - Good Agric. Practices GAP - The importance of organic farming and the production of healthy and safe foods -
34	People trained in crop production practices and technologies(men/women)	No	9,893	8,000	862	1,649	21%	2,511	31.4%	
35	People trained in livestock production practices and technologies(men)	No	4,946	5,000	282	62	1%	344	6.9%	
36	People trained in livestock production practices and technologies(women)	No	4,946	5,000	2,681	-15	0%	2,666	53.3%	Conducted training days about: The role of village farm leaders - Traditional cattle breeding practices - Availability of cattle feed - Veterinary care - Mechanism to promote participation at the women cooperative Committees (WCC) - Disease diagnosis and symptoms of malnutrition - The role of rural women in improving the livelihood and living standard of their communities - Formation WCC
37	People trained in livestock production practices and technologies(men/women)	No	9,893	10,000	2,963	47	0%	3,010	30.1%	
38	People trained in post-production, processing and marketing (men)	No	6,331	7,200	1,566	250	3%	1,816	25.2%	
39	People trained in post-production, processing and marketing (women)	No	1,583	800	22	2	0%	24	3.0%	Training topics: Cooperatives in agric. - Marketing - Feasibility study and business plan - Regular expanded meetings between exporters, manufacturers traders and "farmers" & the Cooperative Marketing Committee members - The integrated crop management and provision of financial services - Marketing information systems - Negotiation skills for marketing committee members - Post harvesting techniques - Good Agric. Practices GAP - How to conclude marketing contracts
40	People trained in post-production, processing and marketing (men/women)	No	7,914	8,000	1,588	252	3%	1,840	23.0%	
41	People accessing advisory services facilitated by project (men)	No	9,360	9,360	9,283	856	9%	10,139	108.3%	
42	People accessing advisory services facilitated by project (women)	No	2,340	2,340	1,131	122	5%	1,253	53.5%	
43	People accessing advisory services facilitated by project (men/women)	No	11,700	11,700	10,414	978	8%	11,392	97.4%	
44	Marketing groups formed/strengthened	No	174	174	118	35	20%	153	87.9%	
45	Marketing groups with women in leadership position	No	52	52	65	3	6%	68	130.3%	
46	People in marketing groups formed/strengthened(men)	No	13,920	35,000	17,869	16,231	46%	34,100	97.4%	
47	People in marketing groups formed/strengthened(women)	No	3,480	5,000	2,908	1,042	21%	3,950	79.0%	
48	People in marketing groups formed/strengthened(men/women)	No	17,400	40,000	20,777	17,273	43%	38,050	95.1%	

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Micro & Small Enterprises (Direct Lending from SFD to End Beneficiaries)										
49	Value of gross loan portfolio (SEDO/MSEs)	USD	7,338,479	7,338,479	801,818	442,593	6%	1,244,411	17.0%	This amount represents the total fund transferred to end beneficiaries (Amounts in dollars) SFD received 1st tranche from IFAD in Dec 2012.
50	Active borrowers (enterprises)	No	1,012	1,012	28	61	6%	89	8.8%	Total number of enterprises receiving loans through direct lending to end beneficiaries=28
51	Enterprises accessing non-financial services facilitated by the project	No	0	0	16	13	#DIV/0!	29	#DIV/0!	It received capacity building and one intermediary (Cooperative) agency in Qena signed a contract on 16/04/2015 with an amount of US\$ 1.5 million
52	People trained in business/entrepreneurship(men)	No	11,160	8,000	956	639	8%	1,595	19.9%	Training Topics: Team Work Principles and Meeting Management Communication and Presentation skills Role of NGOs/Cooperatives in Agricultural marketing Feasibility Study and Business Plan Roles and Responsibilities of the Marketing Committees Principles and types of agricultural Marketing Information System (MIS) and Marketing Mix Marketing Management and Reduction of Losses in the Marketing Process/ Marketing Alternatives, Channels and Market needs identification/ Marketing Risk Management
53	People trained in business/entrepreneurship(women)	No	2,790	2,000	269	96	5%	365	18.3%	Contract Management and Negotiation Skills Training Courses for NGO's covering the following topics : 1- Credit follow up 2- Risk Management 3- Financial Analysis
54	People trained in business/entrepreneurship(men/women)	No	13,950	10,000	1,225	735	7%	1,960	19.6%	
Micro Finance Credit										
55	Value of gross loan portfolio (Microfinance) - CDAs/NGOs	USD	3,636,521	3,636,521	1,655,589	100,000	3%	1,755,589	48.3%	This amount represents the total fund transferred to end beneficiaries (Amounts in dollars) SFD received funds only on 12 Dec 2012.
56	Active borrowers(men)	No	0	0	1,178	71	#DIV/0!	1,249	#DIV/0!	
57	Active borrowers(women)	No	0	0	1,077	4	#DIV/0!	1,081	#DIV/0!	Active borrowers indicator cannot be planned (annual & appraisal), but can be provided by the end of a specific period (annually) as actual/achieved figure.
58	Active borrowers(men/women)	No	0	0	2,255	75	#DIV/0!	2,330	#DIV/0!	
59	Financial institutions participating in project	No	46	46	7	1	2%	8	17.4%	Total number of contracted NGOs=7
60	Staff of financial institutions trained(men)	No	90	90	24	0	0%	24	26.7%	
61	Staff of financial institutions trained(women)	No	22	22	0	0	0%	0	0.0%	Provide a capacity building program on agribusiness lending management to staff and board members from 7 OFIDO potential PMUs (Cooperatives), and CDAs located in the project covered areas (Qena, Sohag, Assiut, Behnwa and Kafi El Sheikh) in order to improve their knowledge and skills to ensure the cooperatives' ability to match its members financial needs and to better help its members become more efficient in the field of horticulture and dairy processing as entrepreneurship, and to develop knowledge and technical skills of the cooperatives' staff (more specifically credit officers, loan portfolio managers and accountants) on agribusiness micro-finance best practices, guarantee mechanisms, organizing and analyzing of loan portfolio information, and to rehabilitate PMUs/CDAs to apply for funding from the line of credit available at the OFIDO project through the social fund for development.
62	Staff of financial institutions trained(men/women)	No	112	112	24	0	0%	24	21.4%	

SECOND LEVEL RESULTS		
Component	Results	Rating
Component name		
On-farm irrigation and Water Management	Likelihood of sustainability of groups managing infrastructure formed/strengthened	3
	Effectiveness of productive infrastructure - Irrigation schemes	4
	Likelihood of sustainability of productive infrastructure - Irrigation schemes	4
Agriculture Competitiveness Enhancement	Likelihood of sustainability of natural resources management groups formed/strengthened	3
	Effectiveness of natural resources management and conservation programmes	3
	Effectiveness: improved performance of service providers	4
	Effectiveness: improved agricultural livestock and fishery production	3
	Effectiveness: producers benefiting from improved access to markets	4
Micro & Small enterprises	Likelihood of sustainability of the marketing groups formed/strengthened	3
	Effectiveness: improved access of the poor to financial services	3
	Sustainability: improved performance of financial institutions	4
	Effectiveness: creation of employment opportunities	4
	Likelihood of sustainability of enterprises	3

Appendix 5: Financial: Actual financial performance by financier; disbursements by category and by component

Table 5A: Financial performance by financier as of 30 September 2017

Financier	Appraisal (USD '000)	Actuals (USD '000)	Per cent actuals
IFAD original loan	47000	18650	39%
IFAD additional loan	13000	1111	8%
IFAD original grant	1000	200	20%
IFAD additional grant	1000	0	0%
Government original contribution	15343	13684	89%
Government additional contribution	3977	135	3%
Beneficiaries original contribution	8814	512	6%
Beneficiaries additional contribution	2027	0	0
Total	92159	34292	37.2%

Table 5B.1: Financial performance by financier by component as of 30 September 2017 (USD '000) – Original loan and grant

	IFAD original loan			IFAD original grant			Government original contribution			Beneficiaries original contribution			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Irrigation and water Management	35030	12616	30	82	9	11	6577	6072	92	8814	393	4	50503	19091	38
B. Agriculture Competitiveness Enhancement	0	0	#DIV/0!	598	156	26	3673	300	8	0	0	0	4270	456	10
C. Rural Finance	10975	5246	48	320	35	11	63	0	0	0	0	0	11358	5281	46
D. Project coordination Units	995	788	79	0	0	#DIV/0!	5030	7312	145	0	119	#DIV/0!	6025	8219	136
Total	47000	18650	39	1000	200	20	15343	13684	89	8814	512	6	72156	33047	46

Table 5B.2: Financial performance by financier by component as of 30 September 2017 (USD '000) – Additional loan and grant

	IFAD additional loan			IFAD additional grant			Government additional contribution			Beneficiaries additional contribution			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Irrigation and water Management	12816	1098	8	916	0	0	3344	63	2	2027	0	0	19103	1161	6
B. Agriculture Competitiveness Enhancement	0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
C. Rural Finance	0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
D. Project coordination Units	184	13	7	84	0	0	634	72	11	0	0	#DIV/0!	901	85	9
Total	13000	1111	8	1000	0	0	3978	135	3	2027	0	0	20004	1246	6

Table 5B.3: Financial performance by financier by component as of 30 September 2017 (USD '000) – Overall Project

	IFAD loans			IFAD grants			Government contribution			Beneficiaries contribution			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Irrigation and water Management	47846	13715	29	998	9	1	9921	6135	62	10841	393	3	69606	20252	29
B. Agriculture Competitiveness Enhancement	0	0	#DIV/0	598	157	26	3673	300	8	0	0	#DIV/0	4270	457	11
C. Rural Finance	10975	5245	48	320	34	10	63	0	0	0	0	#DIV/0	11358	5279	46
D. Project coordination Units	1179	801	68	84	0	0	5664	7384	130	0	119	#DIV/0	6926	8304	120
Total	60000	19761	33	2000	200	10	19321	13819	71	10841	512	5	92160	34292	37

Table 5C.1: IFAD original loan disbursements SDR, as at 17 October 2017

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Works	19740000	22404000	8230448		14173551	36.73%
II	Means of transportation, equipment and materials	670000	670000	532690		137927	79.50%
III	National TA/ Consulting Services	0	296000	152689		143310	51.58%
V	Revolving fund	6230000	6230000	2681924		3548075	43.04%
VI	Unallocated	296000	0			0	

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
	Initial deposit – PMU			1301456		-1301456	0
	Initial deposit – SFD			979445		-979445	0
	Total	29600000	29600000	13878652		15721347	46.88%

Table 5C.2: IFAD original grant disbursements SDR, as at 30 October 2017

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
III	National TA/ Consulting Services	30000	30000	29615		385	98.72%
IV	Training	600000	600000	36880		563120	6.15%
	Initial deposit – PMU			543831		-543831	0
	Total	630000	630000	610326		19674	96.87%

Table 5C.3: IFAD additional loan disbursements SDR, as at 30 September 2017

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Works	8300000	8300000	2747		8297253	0.03%
II	Means of transportation, equipment and materials	150000	150000	9754		140246	6.5%
	Initial deposit – PMU			723793		-723793	0.00%
	Total	8450000	8450000	736294		7713706	8.71%

Table 5C.4: IFAD additional grant disbursements SDR, as at 30 September 2017

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Works	240000	240000	0		240000	0
II	Means of transportation, equipment and materials	30000	30000	0		30000	0
III	National TA/ Consulting Services	110000	110000	0		110000	0
V	Training	270000	270000	0		270000	0
	Initial deposit – PMU			123260		-123260	0
	Total	650000	650000	123260		526740	18.96

Appendix 6: Compliance with financing agreement covenants

Appendix 7: Knowledge management: Learning and Innovation

Appendix 8: Procurement

While procurement transactions were implemented essentially in compliance with the national procurement legislation (OFIDO I) and IFAD Procurement Guidelines (OFIDO II) yet the procurement component suffered from the overall problem affecting project implementation which is the absence of effective project management coordination mechanisms (especially as among NPCU, MWRI and the MALR departments in the field) and the absence of a “fit-for-purpose” procurement strategy. Contracts were incorporated into the procurement plan in the pursuit of achieving irrigation improvement targets without due consideration of the essential pre-conditions like willingness of the farmers to join WUAs and readiness of MWRI to assist in the formation of WUAs as well as the ease and costs of connection to the electrical grid and availability of water/service condition of the sub- branch canals. There is no indication also of appropriate research of the market in order to assess the delivery capacity of contractors’ operating in Upper Egypt or those willing to do so if properly motivated and assured of fair treatment. The lack of such Procurement Strategy (contract packaging in line with confirmed farmers’ buy-in to the project’s irrigation improvement rationale, selection of procurement methods subsequent to assessment of the market and its risks as well as the delivery capacity of contractors operating at the location or willing to do so, packaging in line with NPCU’s capacity to administer related contracts including selection of contract types whether unit rate or lump sum or turnkey or force account or material & labour plus overhead etc.) resulted in the termination of some 20 contracts in early 2017 due to contractors’ default (inability to perform) thus causing excessive project implementation delays. The Mission rates the procurement component as “moderately unsatisfactory” and has reached the conclusion that no further contracts on OFIDO I or II are to be tendered and that no pending no-objections by IFAD will be granted in the interest of completing ongoing works commensurate with NPCU’s current capacity to effectively manage the multitude of concurrent contracts under its responsibility. The “exit strategy” presented in this Aide Memoire provides the underpinnings of the corresponding Mission findings.

Procurement Staff:

The NPCU is understaffed with only one procurement officer on part-time basis who is in charge of processing all tender competitions assisted by other MALR staff on “as available” basis. He is also assisted by staff from M&E section and the NPCU secretariat in development and updates of the procurement plan and in procurement correspondence/liason with IFAD. Contract management is centralized with one officer handling all contractual matters under the supervision of the NPCU Director. This situation was assessed by the Support Mission of July 2017 as unsatisfactory and the NPCU Director was requested to recruit six additional field contract administrators/implementation supervision staff along-with a supervisor overseeing their performance in order to assure proper contract reporting and effective contract administration of all ongoing OFIDO I & II contracts.

Procurement Plan (PP):

The procurement plan prepared by the NPCU assisted by the last IFAD support mission of July 2017 is up-to-date and is comprehensive of all contracts under implementation or planned with a well-detailed indication of the procurement process steps followed by the NPCU. IFAD’s no-objection to the PP was granted on 10 Aug 2017.

The PP is inclusive of two Works contracts funded under OFIDO I which are classified as “under re-bid process in the updated Implementation Status Table presented to the Supervision Mission”, these contracts are namely:

Sohag contract Nr W-1 and Sohag contract Nr W-4

It also incorporates two contracts funded under OFIDO II which are similarly classified as “under re-bid process in the updated Implementation Status Table presented to the Supervision Mission”, these contracts are namely:

Bani Sueif contract Nr W-18 and Bani Sueif contract Nr W-19

Due to the tight timeframe until project closure by end March 2018 and the weak participation rate of national contractors to bid on OFIDO’s Upper Egypt contracts the IFAD support mission of last July stipulated two conditions prior to re-bidding the above 4 contracts:

1. Use of one envelope bidding procedure and corresponding amendment of the bidding documents' ITB clauses to reflect that bidders need to submit both the Technical and Financial offers in one envelope thereby saving valuable bidding time due to the elimination of one of the two stand-still periods (during which aggrieved bidders have 5 working days to complain);
2. NPCU to hold a bidders' conference in order to motivate additional contractors to participate in future competitions for OFIDO contracts.

The NPCU proceeded with bidding for these 4 contracts without respecting both above conditions and the bidding resulted in only "one" bidder participating in the competitions. The NPCU did not yet open the financial offer of this contractor. Due to the limited capacity and classification class of this contractor (Al Fatemia) and its apparent slow mobilization on two contracts already assigned to him in Assiut and Minya this Mission considers the competition of abovementioned four contracts as frustrated and these contracts will therefore be removed from the PP and OFIDO's work program.

The PP also includes 3 contracts namely w-3, w-5 and w-6 in Sohag and another one contract w-12 in Assiut where the NPCU has submitted the BER to IFAD requesting the latter's no-objection for the award of these contracts to Tanta Motors. The Mission following inspection of the quality of work of this contractor in Qena and considering that he is classified as Class 7 contractor for water & sewage works with the Egyptian contractors Union (also classified in the highest Class I for electromechanical works) does not recommend the award of aforementioned three new contracts to this contractor in the Governorates of Sohag or Assiut in order not to spread him too thin on the ground considering his limited experience in this domain (despite apparent financial robustness). The Mission concluded that these 4 contracts will therefore be removed from the PP and OFIDO's work program.

Contract Administrators/supervision officers

The NPCU is to be commended for quick deployment of the six contract administrators proposed by the last support mission of July 2017 as well as their supervisor. The Mission is of the opinion that their presence on the field is crucial to reinforce effective contract administration by the NPCU including quality control and real-time reporting. Their role is foreseen to represent an early warning mechanism designed to monitor contractors' performance as well as that of the QC consultants in real time and to allow the NPCU to decide on contractual matters supported by contemporary evidence as raised from the field by the respective contract administrator. This will serve to prevent a repeat of the regrettable situation of the termination of 20 ongoing construction contracts in early 2017.

Risks associated with currently awarded contractors:

1. NPCU's evaluation of bidders' Technical submissions is not meticulously done whereby the NPCU overlooks the need to verify contractors' technical and financial capacity as well as past performance qualifications. Little attention is also given to the realism of the submitted work program/s and related construction methods. This has often lead in the direction of awarding contracts to contractors with limited capacity or limited cash-flow facilities.

Action: NPCU to propose a training program for its procurement workforce by end Nov 2017.

2. Unclear division of roles in the supervision/quality control of Works' implementation whereby the QC consultants are subordinated to the representatives of MWRI and both are not empowered by the NPCU to assume their supervision roles in a meaningful manner as would be expected under the standards of professional practice. This has diminished the added value of their role by undermining their decision-making ability in monitoring of contractors' performance. Evidence of such weak quality control was observed by the Mission; example like the Supervision Mission's uncovering of frequent tolerance towards non-respect of technical specifications for the thickness of the required layers of sand bedding and overlay cover related to the underground uPVC pipes in some locations coupled with weak compaction of the sand layer as well as occasional errors in the levels of the risers of some water hydrants.

Action: The NPCU is to clearly demarcate the roles of the QC consultants and the MWRI supervision staff and use the newly-appointed contract administrators mainly for reporting to the NPCU on the performance of the contractors, QC consultants and MWRI staff deployed in their respective Governorates without direct interference in the contractors' performance in order not to dilute the

responsibility of the QC consultants/ MWRI staff. Standard formats for reporting are to be developed by the NPCU as soon as possible.

3. NPCU's offer of renting trench excavators to the contractors at a nominal daily rate of 200 EGP presents a dis-incentive to the contractors to arrange for their own excavators thereby restricting excavation and pipe-laying work of the contractors to the equipment offered on subsidized rates by the NPCU. This greatly reduces the potential productivity rates of the contractors (who rarely work on several Mesqas simultaneously) since they chose to save money and wait for NPCU excavators.

Action: NPCU is to take immediate action to commit each contractor to its work program as approved by the QC/MWRI staff in order to ensure timely completion by all contractors without using excavators' availability as an excuse for delays in work progress. The Mission understands that the situation of excavator availability will soon improve with the redeployment of OFIDO excavators from the Delta region to Upper Egypt.

4. One of the contractors (Tanta Motors) who was awarded 4 contracts in total (3 in Qena and 1 in Assiut) and proposed by the NPCU for the award of further 3 contracts in Sohag and one in Assiut. The current performance of this contractor poses a perceived risk because of the low class of his classification with the Egyptian Contractors' Union in the field of water and sanitation (which does not entitle him for the current volume of contracts on OFIDO). IFAD has so far withheld its no-objection for the award of the 4 additional contracts based on the recommendation of the Support Mission of July 2017 which linked such further award decision to the actual performance of this contractor on the already-awarded 4 contracts. The Supervision Mission, following assessment of the rate of progress of this contractor since its award and the quality of works executed by it, recommends not to award the 4 additional contracts in Sohag and Assiut to this contractor who has limited experience in the field and is dependent on subcontracting the works to a series of labour subcontractors.

Action: NPCU to inform Tanta Motors of the cancellation of these 4 tenders namely w-3, w-5 and w-6 in Sohag and w-12 in Assiut upon receipt of IFAD's disapproval of the proposed awards.

5. The Mission, considering that a number of contractors are currently engaged on completing previously-terminated contracts, strongly urges the NPCU to use the newly-appointed contract administrators/supervisors along-with the QC consultants to review the Bills of Quantities of ongoing contracts in order to ensure that the present contractors do not engage in double counting. Any installed but damaged previous work needs to be repaired by the current contractors against additional payment, it being understood that the entire mesqa and merwa need to be completed and handed-over to the WUAs by the current contractors in a defect-free condition in accordance with their respective contracts specifications and performance outputs.

Action: QC in collaboration with the NPCU contract administrators are to complete a re-check of the Bill of Quantities of each respective contract (completing previously-started works by the terminated contractors) within the coming two weeks period.

6. The Mission recommends that the NPCU promptly alerts the electricity companies of potential changes in the required Bills of Quantities in the respective Governorates that may emerge as a result of potential re-scoping of the improved irrigation coverage as a result of the findings of this Mission.

Action: NPCU to alert in writing the electricity company of the likely changes in the areas of coverage of the electrical grids needed under OFIDO especially in the Governorates where electrical works are currently ongoing in order to prevent unnecessary stockpiling of transformers, electricity poles and wiring where there will be no irrigation improvement works under OFIDO project in the light of the findings of this Mission. The electricity company will subsequently be requested to submit a revised Bill of Quantities with related contract amendment to be concluded with OFIDO.

7. The Mission requests the NPCU to delete the provision in the current contractors' contracts whereby a delay penalty will accrue on every delay in implementation progress with respect to the approved planned timeline/program. This is ominous, cumbersome to calculate and can harm the cash-flow of contractors if applied. Delay damages are to be calculated on the basis of the actual percentage of delayed works on the contractual date of completion of the entire works.

Action: The NPCU to replace this provision in the respective contractor's contract with a requirement to produce within two weeks its revised program/timeline with the measures to be taken to speed up implementation in order to respect the approved completion date of the works. Imposition of delay damages takes effect only upon real delays as measured at actual completion in comparison with

planned contractual completion (taking into consideration any legitimate time extension that be granted by the QC/MWRI supervisory staff).

8. The awarded contractor Abdel Hamid El-Sayed for contract w-2 in Sohag has so far refused to sign the corresponding contract on the pretext that he was not compensated on a previously-terminated contract whereby he continues to execute work at present with the knowledge of the NPCU. Such situation is undesirable since the contractor either intends or has started a litigation case in Egyptian courts. The courts may rule that his contract is not terminated by virtue of his continued performance on the contract with the knowledge of the NPCU.

Action: Abdel Hamid needs to sign or reject the awarded contract w-2 Sohag within the coming two weeks. In case of rejection his bid security is to be confiscated by OFIDO.

Due to the error committed by OFIDO of not enforcing termination of the previous contract on this contractor the Mission recommends that the NPCU reaches a quick amicable settlement of the dues of this contractor without further delay. Such amicable settlement is to involve compensation for the works performed beyond termination and related costs of custody of the works but shall not include any compensation to address devaluation of the EGP since this contractor has defaulted on his contractual commitment to complete the works before the devaluation date of last Nov 2016. Another similar case was spotted by the Mission concerning continued performance of the contractor "Mashtal Al Amal" in Sohag despite the official termination of his contract/s in March 2017 (the referred to contract is one of these three terminated contracts Sohag ICB 5 or 6 or 7/2015). The Mission recommends that the NPCU follows similar action in his case as above indicated for Abdel Hamid contractor (both contractors have apparently been advised by their lawyers to pursue the course of action they are currently taking by ignoring termination while the NPCU is not taking strict action to prevent this).

Procurement capacity-building actions required from the NPCU

The Mission recommends that selected staff from the NPCU and procurement staff seconded by MALR to OFIDO should benefit from additional formal procurement training opportunities (including contract management) offered by recognized training institutions while the newly-recruited contract administrators/supervisors should be coached on their respective roles and a harmonized format for their periodic reporting to the NPCU is to be developed.

Action: NPCU is to nominate staff for procurement training and standardize reporting formats for the newly-recruited contract administrators within end Nov 2017.