



Investing in rural people

## **Arab Republic of Egypt**

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### **On-Farm Irrigation Development Project in Old Lands**

#### **Supervision report**

Main report and appendices

Mission Dates: 15 Aug 2016 – 2 Sep 2016  
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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
MFI	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. Introduction<sup>1</sup>

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 the unforeseen political events and administrative changes in the country, the Project activities were fully initiated only towards the end of 2012. The total project cost stands at USD 72.16 million over eight-year implementation of which IFAD is financing USD 47 million Loan and USD 1million Grant<sup>2</sup>. The Project is now in its 7<sup>th</sup> year of implementation and completion date is planned on 31 March 2018. A Mid-Term-Review (MTR) was conducted in January 2015, which came up with essential demanding recommendations that have had an impact on the subsequent pace of project implementation as noticed by the last supervision mission of August 2015.
2. The objective of the current Supervision Mission, that visited the country during the period from August 15<sup>th</sup> to September 2<sup>nd</sup>, 2016, 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 life and sustainability beyond it.
3. The mission conducted intense meetings with all the concerned government institutions and partner agencies as well as with farmer organizations and representatives. In Cairo, the mission met Dr. Shehab Marzban, Deputy Minister for Economic Affairs, Ministry of International Cooperation (MOIC), Prof. Dr. Dina Al-Khishin, Director of Foreign Affairs Relations (FAR), Dr Samir, Abo Soliman, the National Project Coordinator of the OFIDO, and Dr Essam Wassif, Director of Agriculture Engineering Research Institute (AENRI), Ministry of Agriculture and Land Reclamation (MALR), Engineer Moustapha Elbehiry, Head of Central Directorate for irrigation Improvement of the Ministry of Water Resources and Irrigation (MWRI), and private sector consulting firms and contractors.
4. Field visits were undertaken to the Project areas in the Governorates of Beheira and Kafr El-Sheikh in Lower Egypt and Assiut, Sohag, Qena and Qena II (Luxor) in Upper Egypt, during seven days, where the mission met with governorate level officers from MALR, MWRI, Social Fund for Development (SFD). The mission visited most of the Project sites at the branch canal, mesqa and marwa levels and conducted meetings with representatives of water user associations, marwa committees, cooperatives, men and women farmers trained under the Project.
5. The key findings and recommendations of the Supervision Mission were reviewed and endorsed, on the basis of a draft Aide-Memoire (AM), at a wrap up meeting chaired by Dr. Dina Al-Khishin, Director of FAR of MALR on September 1st, 2016. Two separate meetings were held one with Dr Shehab, Deputy Minister, MOIC and the second with HE Prof. Dr Essam Fayed, Minister of MARL, to brief them about the project progress, mission's recommendations and look for their support during the short remaining period of implementation.
6. The mission would like to express its special thanks and appreciation for the close cooperation, valuable assistance and hospitality extended by the National Project Coordination Unit (NPCU) staff and by all Government counterparts met in Cairo and in the six concerned Governorates.

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1 Mission composition: Mr. Abdehaq Hanafi (Country Director for Egypt), Mr. Aziz Tabet (Water Management and Irrigation specialist, Team Leader, Consultant), Mr. Mohamed Abdel-Latif (Procurement Specialist, Consultant), Mr. Talaat. El Gamal (Monitoring and Evaluation, Consultant) and Mr. Magdy Moussa (Rural Finance specialist, Consultant) who joined the mission on the 24<sup>th</sup> of August. The IFAD Finance Specialist could not join the mission as planned initially, he provided his contribution to the Report later. Ms. Marie Nagy from MOIC joined the mission for field visits for Lower Egypt and Dr. El Hawary Howaida and Ms. N. Aboelela from SFD for the whole field visits. Ms. Heba Younes from IFAD Country Office, provided administrative and logistical support to the mission

2 Subsequently, at the request of the Government of Egypt (GoE), a Supplementary Financing (SF) loan of USD 14 million has been approved by IFAD, on 15 December 2014 as OFIDO-2, to expand project piloting activities in two additional Governorates in Upper Egypt

## **B. Overall assessment of project implementation progress**

7. **Objective:** The overall goal of the OFIDO project and the subsequently approved Supplementary Financing (SF)<sup>3</sup> is to improve the livelihoods of the rural poor in the Project area through targeted interventions to enhance water availability and reliability, farms production potential and raise households' income. This is to be achieved through the implementation of 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 (vi) project coordination and management. This is expected to be piloted and developed for further up-scaling over an initial targeted area of 25,500 feddans and 7,000 feddans were added under the SF (OFIDO 2). All the targeted area is scattered over eight targeted poor areas within eight Governorates. At completion it is anticipated that the OFIDO-1 and 2 would improve an area of about 32,500 feddans that would benefit to more than 50,000 smallholders and small entrepreneurs.

8. **Annual Implementation Progress:** During last 2015 -2016 (FY6), the project recorded overall limited physical and financial achievements in implementing all the components activities compared to targets. As of end August 2016, the Project has completed the improvement of an area of about 6,268 feddans, (40% of 18,000 feddans targeted in FY6). During last year OFIDO planed a total budget from the loan of USD 32 million of which only USD 4.2 million have been expended representing only 13% of the target. Among the reasons of such low progress which had a significant impact on the project implementation, the most critical are of:

- (i) Institutional dimension: the difficulties encountered in establishing a stable and operative cooperation with IIS/MWRI particularly in getting the necessary authorizations for the construction of pumping station intakes on some sub-branch canals and the establishment of Water User Associations (WUAs),
- (ii) Technical dimension mainly related to the upgrading and installation of electrification grid and all the facilities to supply power to pumping stations as soon as they are equipped, and
- (iii) Social dimension that emerged in the underestimation of the difficulties in implementing on-farm works in Upper Egypt areas in view of the high fragmentation and very small size of the land tenancy as well as the difficulties encountered in building relations of trust and confidence with farmers to engage in a new order of irrigation management for which they have little knowledge. This, in addition to the unexpected opposition of local influential landlords of vested interests.

9. **Overall assessment:** By the time of the current mission, although the project has completed the procurement procedures for almost all the civil works, pumping equipment and electrification, the pace of implementation that picked up after the MTR mission is facing such a number of constraints, as mentioned above, that need to be entirely challenged if the NPCU management expect to achieved project development objectives up to a satisfactory level. As a result, only about 11,700<sup>4</sup> feddans have been improved (47% of the total OFIDO 1, target area of 25 500 feddans). Furthermore, the disbursement rate from the IFAD loan reached in USD only 30% by end mid-August 2016 as compared to 24% a year earlier. The disbursement of the Grant fund of USD 1 million provided by IFAD to the Project is still behind schedule, only USD 196,800 (20%).

10. While some of the concerns expressed by the previous supervision mission have been or are being challenged, in particular the project management has successfully revived the 2011 Agreement for accelerated operative collaboration with the MWRI, the major remaining areas of concerns are related to the delays in construction works, the management of civil work contracts and the establishment of WUAs. The mission believes however that, the effective management of above mentioned institutional, technical and social constraints particularly related to: (i) the required

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3 The Project is currently being implemented in five governorates: two in Lower Egypt and three in Upper Egypt under OFIDO 1. An area that was belonging to Qena Governorate (Qena II) is now under the newly created Governorate of Luxor. A Supplementary Financing has been approved by IFAD to extend the same activities to two additional governorates (Menya and Beni Suef) under OFIDO 2.

4 9,244 feddans improved in Lower Egypt and 2,468 feddans in Upper Egypt.

authorization for the access to the land for improvement, (ii) the contractors' capacity to mobilize more means and resources and to: (iii) the adoption of an effective participatory process for the organization and empowerment of water users, will impact positively project implementation.

11. Encouragingly, while the project management has successfully solved the most important constraint by signing a new agreement with the MWRI, actions are being taken to challenge technical and social aspects of 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. The agreement reached with the Irrigation Improvement Sector (IIS) of the MWRI, regarding their involvement in the supervision and control and in the establishment of WUAs would allow the Project to speed up the process. With regard the two other components, the project has: (i) shown noticeable progress in implementing agriculture competitiveness enhancement activities mainly due to agreement reached during the MTR mission to finance related activities through the IFAD grant, and (ii) despite the slow rate of disbursement of funds, the rural enterprise and microfinance component activities are being consistently focusing on the proper targeting of loans to reach the intended beneficiaries.

12. The outreach of the project is now towards rapid expansion in light of the current rate of execution of on-going works, training and rural finance activities, assessed by the mission. It is likely that this will accelerate, since some of the bottlenecks are being solved particularly: (i) (i) the on-going completion of electrification grids, (ii) a more decentralized planning and implementation, (iii) a better coordinated extension/research approach through FFS with ARC in collaboration with on-going GI Z project, (iv) an effective involvement of SFD to expand rural finance activities, and v) and (v) farmers' better understanding of project approach and benefits. It is therefore the mission opinion that if mission's recommendations are fully taken into consideration the Project would be in a favorable track in achieving its objective by the completion date of the project. The overall performance rating of the project implementation is **moderately satisfactory**.

Agreed action	Responsibility	Agreed date
Implement for all the on-going and planned civil works contracts following a road map for effective implementation during the remaining 19 months before project completion date (31 March 2018) in collaboration with IIS/MWRI, and according to the agreed time table	NPCU	Immediately
Convene a follow-up of the implementation of the road map through meetings every two months, alternatively at OFIDO and at IIS Office. Minutes to be shared with IFAD.	NPCU	Immediately

## C. Outputs and outcomes by component

### Component 1: Irrigation and Water Management

13. **Overall Implementation Progress.** The specific objective of the OFIDO's Irrigation and Water Management (IWM) component is to improve water availability and reliability and application efficiency of on-farm irrigation water. Major achievement has been reached in Lower Egypt where planned works have now been completed over an area of 9,244 feddans, and are under production with more efficient and reliable irrigation system. In contrary in Upper Egypt delays are of major concerns. Yet, while the construction, supply and installation process for the planned off-farm infrastructure (electricity supply grids, branch canals refection, intakes and pump houses construction), are well advanced, the on-farm improvement, in contrary, consisting of replacing existing irrigation earth channels by buried pipelines, is facing in most cases delays, outside the control of the NPCU, due to the search of limited disturbance of the need of irrigation until crop is harvested, and to the unexpected resistance to project reforms from local influential individuals with vested interests.

14. 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. Works in Upper Egypt, while almost already contracted, have been slowed because of various unexpected constraints as mentioned above. Of a target area of 15,350 feddans, only about 2,468 feddans have been improved (17%) by the end of August 2016. Achievement are assumed to accelerate since most of the bottlenecks are being solved and that overall 85% of the work on the supply and installation of the electricity grid, installation of transformers and power cables are completed and equipment of pumping stations and PVC pipelines are about to accelerate. However, the mission expressed its concerns about the large number of civil work contracts that are experiencing stoppage and delays, this partly due to the low performance of some contractors and the NPCU poor monitoring and management of contracts

15. Mission's discussions with contractors, technical control and supervision engineers, farmer leaders, and intense field visits show that prospects for tangible achievements are promising since farmers are now able to see on the ground the benefits of project's improvements. However, this could not be achieved without a tight collaboration with the Irrigation Improvement Sector (IIS) of the MWRI, in particular regarding the involvement of engineers from its staff in the supervision and control and in the establishment of WUAs would allow the Project to reach before project's closure date an acceptable rate of achievement. The mission stressed that this is a prerequisite condition if the project expects to reach an acceptable rate of achievement before project's closure date. *The mission is therefore of the opinion that the overall progress in component's activities implementation performance is moderately unsatisfactory.*

(i) **Sub-component 1.1: Rehabilitation and on-farm irrigation development.** (*Overall implementation performance moderately satisfactory*)

16. Progress in Lower Egypt. Project activities that started in Lower Egypt where interventions concern only the improvement of quaternary on-farm channels (marwas) by installing buried low pressure PVC pipes connected to the existing off-farm mesqa pipelines and pumping stations that have been already established by the MWRI III-MP Project financed by the World Bank. OFIDO was the first project to pioneer at medium scale this type of improvement, considered "simple" during the project design and that could be performed by local public entities through force account construction modalities. The MTR mission recommended to limit the target area in Lower Egypt to what has been already executed by force account and only achieve the area already committed to small contractors with a new improved model of hydrant in sites where sufficient water head is assured. Hence the project developed an area of 4,744 feddans with the new model of procurement and new type of hydrant. The total area improved in Lower Egypt is about 9,244 feddans.

17. Further to its field visit and discussions with water users, the mission recommends that a rapid satisfaction survey be conducted at the level of all the 253 mesqa improved by the project and identify the type and the scope of the remedies that would be required to enhance the performance of the existing system.

18. Progress in Upper Egypt. In the three selected areas in Qena, Assiut and Sohag Governorates, over a command area of 15,350 feddans, the project has somehow hastily performed the elaboration of all the detail designs, tendering and contracts awarded for works construction and equipment purchase and installation to catch up with delays. In the framework of resources reallocation proposal during the MTR, an additional 3,000 feddans (Qena II)<sup>5</sup> have been added to be developed in the newly created Luxor Governorate which was part of Qena. The procurement mode adopted is an innovative one based on Design and Build mode (Turn-Key).

19. As mentioned above, the setback in reaching an agreement for the collaboration between MWRI and MARL has played a major role in the delay of implementation of work by contractors in Upper Egypt. Despite project management efforts, the physical achievement is still behind schedule. As presented in Table 1 below, only about 2 468 feddans (13%) have been improved and are being

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5 The 3,000 feddans replace the remaining project target area in Lower Egypt that was shifted to Upper Egypt as per MTR recommendation.

transferred to 25 informal ad-hoc group of farmers, led by a farmer leader designated by his peers, and that would form the basis of a water user association.

20. The quality assurance of civil works and equipment, that is of major concern for project management and farmers is guaranteed by an independent consulting firm commissioned by the Project as a Technical Supervisor to monitor and check the day to day quality control and quantity measurement of the works carried out.

21. Due to delays in implementation and the interference of landlords of vested interests to influence back the agreed arrangements, most farmer commitments have been revoked. Of the 280 farmer group agreements for mesqa improvement reached during the awareness campaign only about 164 mesqa (77%) covering an area of about 8,000 feddans have firmly confirmed their continuous interest to partnership with the project. The Project management is expecting to increase the number of agreed farmers before project completion, and assured the mission that the dialogue with farmers is still underway and alternative sites are being considered.

**Table 1: Implementation Progress in Upper Egypt**

Governorate	Total area (feds) Detail design	Intake and pump-house (civil works) (Stage I)			Electricity Grid (%)	Pumping equipment and Mesqa/marwa improvement (Stage II)		
		Nbr	Achieved	%		Contracts signed & Pumping Station (Nbr)	Achieved/o n-going (Nbr)	Area (feddans)
Qena	4,379	80	79	100%	72%	5 (79)	10	600
Assiut	4,200	94	33	35%	96%	2 (23)	3	200
Sohag	6,771	106	52	50%	52%	7 (102) <sup>6</sup>	25	1668
<b>Sub-total</b>	<b>15,350</b>	<b>280</b>	<b>164</b>					<b>2 468</b>
Qena II	3, 000	54	5	10%	0% <sup>7</sup>	1(54)	0	0
<b>TOTAL</b>	<b>18 350</b>	<b>334</b>	<b>170</b>	<b>51%</b>		<b>13 (258)</b>	<b>38</b>	<b>2468</b>

**(ii) Sub-component 1.2: Institutional Development and Capacity Building. (Overall implementation performance moderately satisfactory)**

22. Activities to be developed through this sub-component were mainly designed to provide technical assistance and support for initial community awareness and social mobilization programmes, formation and establishment of the water users organizations and training of key members relating to systems operation, maintenance and management as well as training of farmers in on-farm water management techniques, and improved irrigated agriculture practices

23. *Progress in the establishing of Mesqa/Marwa WUAs.* In Lower Egypt the Project introduced the establishment of Marwa Committees (MCs), at grass roots level, of 5 to 10 farmers connected to an individual marwa and using the same butterfly valve abstracting water from the main pipeline. MCs will delegate three members to be part of the WUAs of the mesqa/pumping station that have been legally established by the MWRI Projects on the basis of the Water Law N°213 of 1994. During the period under review, the project has elaborated a robust program of activities aiming at executing 276 seminars, 62 training programs and 144 meetings with the objective of formation of additional 240 Marwas Committees in Lower Egypt to be linked to existing Mesqa/WUAs.

24. In Upper Egypt, the project has established, at its start, in each Governorate, a team of 3 persons composed by out-posted part-time staff from the Extension Department of MARL and the IAS of MWRI. Under the new agreement signed with NPCU, the Irrigation Improvement Sector (IIS) through its Irrigation Advisory Service (IAS) is also responsible for formation of mesqa WUAs in Upper Egypt. In addition, the formation and training of branch canal WUAs is the responsibility of the Central Directorate of Irrigation Advisory Services (CDIAS) of the MWRI.

<sup>6</sup> One contract will be cancelled related to Waneena branch canal in Qena (850 feddans) because farmers finally refused the project and a new area will be selected

<sup>7</sup> Contract is being prepared with Luxor Electricity Company

25. Due to difficulties in establishing a stable and operative cooperation between MWRI and MARL the outcome is limited in terms of effective number of WUAs established. With the recent revival of the Agreement and the new mode of disbursement of the grant funds, the NPCU has agreed on a new plan of work with IIS Office in Esna, in charge of Sohag, Qena and Luxor and with IIS Office in Menya for interventions in Assiut, Menya and Beni Suef. Proposals have been submitted to NPCU and the execution would start soon for the establishment of WUAs. The mission advised that priority should be given to the mesqa/Pumping stations which have been completed and are being operated by farmers in Assiut, Sohag and Qena, perpetuating somehow the old mode of organization.

Agreed Action	Responsibility	Agreed date
<b>Lower Egypt:</b> A rapid hydrants state assessment need to be conducted in Behera and Kafr El-Sheikh in Lower Egypt at the level of all the 253 mesqa where project improvement occurred and identify the type and the scope of the remedies that would be required to enhance the performance of the system including the replacement of the flaw old hydrants with new ones.	NPCU	End December 2016
<b>Lower Egypt:</b> Undertake a program for a refreshment training of the 253 WUAs that benefited from OFIDO's financing and elaborate a plan to provide WUAs with spare parts.	NPCU	End December 2016
<b>Upper Egypt-Assiut:</b> The NPCU would convene with the MWRI a solution for the construction of the 15 pending pump station sites that are on public land along sub-branch canals.	NPCU	End October 2016
<b>Upper Egypt:</b> The NPCU will examine the applicability of pre-qualification process to expedite the tendering for new contracts	NPCU	End October 2016
<b>Upper Egypt: Electrification.</b> The project management should monitor closely the progress of the Companies in charge electrification and provide assistance needed to solve all the bottlenecks to ensure electrification does not hamper the completion of work by contractors	NPCU	End October 2016
<b>Upper Egypt.</b> 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 giving immediate notice to the contractor as per provisions of the contract in the event that such materials and works fail to comply with the specifications.	NPCU/Consulting Firm	Continuous
<b>Upper Egypt:</b> For the 38 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 October 2016
<b>Upper Egypt – Sohag:</b> The project management will find an alternative with cooperation with MWRI, to replace the planned activities in the El Waneena branch canal in Sohag for which farmers do not agree with another area and speed up the process of engineering detail design and convene with the contractor to shift the area.	NPCU	End September 2016
<b>Upper Egypt: Sub-Branch canal improvement:</b> Carry out a general ground survey of the current status and level of degradation of the about 10 Sub-Branch Canals that would supply water to the Project pumping station and prepare a budget for maintenance and repair. The priority should be given to Arab Moteer, and El Taweel (Assiut), El Shareef and Anbar (Qena) and Youssef/Lahrizat (Sohag)	NPCU	End December 2016
<b>Upper Egypt. Formation of WUAs.</b> 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
<b>Farmers awareness:</b> Organize a visit for selected leaders of a group of farmers from Upper Egypt to visit WUAs in Behera.	NPCU	On-Going

## Component 2: Agriculture Competitiveness Enhancement

26. **Objective:** Under activities to be developed through this component, the Project intends to provide demand-driven training and agricultural technical assistance to farmers, individually and through Market Associations and Water User Organizations. The Project Design Document recommended that strong emphasis is to be placed on various themes including better water management and promotion of modern irrigation systems, soil quality improvement, promotion of crop diversity and the introduction of high-value crops, crop rotation and crop-livestock integration, piloting for up scaling of farmers adaptation to climate change, sound smallholder farm management for higher sustainable returns per unit of land and water; and support for local farmer organizations through capacity-building and service provision.

27. The demand driven extension/ research and irrigation advisory services are expected to reach some 39,568 farmers also benefiting from other Project components. The Project is expected to establish 104 new MCs, during the Project life time. The direct beneficiaries of these MCs are expected to be 7,270 households who generate additional job opportunities for more than 18,860 persons. The Project is expected to form 35 livestock production MCs engaging more than 2,000 women and 35 other types of MCs with 1,700 participating women.

28. **Extension:** The Project classifies a broad range of training programs, which includes infrastructure and technical aspects under which it has trained 5520 men and 321 women. Several extension trainings have been conducted on crop, livestock and post-harvest technologies which have involved around 5413 farmers of which 50% are women. A small percentage of women (1%) have been included in post-harvest training. Women have also been provided training in formation of committees. Around 1,225 (269 women) have been trained in business entrepreneurship. By the end of June 2016, the Project had trained 12,479 people in the various training programs of which 26% were women. The views of the participant's regarding these training programs are not systematically recorded.

29. Based on the recommendations of previous missions, the NPCU has considered a plan to conduct Farmer Field Schools in each of the Governorates. Prior to conducting this training, the NPCU conducted sessions for training the trainers (TOT). At least 50% of the planned Farmer Fields Schools should be organized for women. Thus of the 36 FFS planned in the current AWPB, at least 18 should focus on topics relevant for women. The mission met GIZ members and discussed the collaboration in FFS and it is recommended that the NPCU will continue to finalize such collaboration process. The mission discussed with the NPCU the necessity of hiring and extension and community development consultant to join the NPCU Team and coordinate extension/research and FFS with ARC and GIZ respectively.

30. The Project has done well to involve a range of institutes in the training program. The needs of the extension training are identified in collaboration with the target communities. The next table presents the attendants for different extension training topics. The highest women participation ratio was for livestock technologies, and the lowest ratio was for post-harvest and infrastructure management.

**Table 2: Attendance for different training topics**

Training Topic	Male	Female	Total	Female ratio
Infrastructure management, Natural resources management, and technical aspects	5,520	321	5,841	5.5%
Crop, livestock and post-harvest technologies**	2,705	2,708	5,413	50.0%
Business entrepreneurship	956	269	1,225	22.0%
<b>Total</b>	<b>9,181</b>	<b>3,298</b>	<b>12,479</b>	<b>26.4%</b>

\*\* A small percentage of women (1%) have been included in post-harvest training

31. OFIDO provided training programs to raise the capacity building for services providers in different topics related the project activities, the total number of trainee days were 684. Apart from the training, there was a guidance for the farmers from the consultant and NPCU. Generally, total number who accessed advisory services facilitated by project around 10414 farmers (9283 M + 1131 F).

32. **Participatory research/extension.** The approach as per project design was to be implemented through specialized teams composed of extension staff and irrigation advisors as well as on-farm systems research on farmers' fields to test the technologies provided by exporters or traders and focusing on introducing high value crops and organic agriculture among other innovative practices new for the area. The observations made by the previous mission with regards to these activities still remain valid. There is lack of a specific research/extension agenda identified for the purposes of the Project. The recommendations of the last mission are still valid as there is still need for the development of a proper research plan specifically targeted at the smallholder farmers of OFIDO dealing with water and crop issues together with a plan for how the research results would be disseminated and the role of farmers in the process.

33. **Marketing Facilitation:** There was a strong emphasis in the design approach on the articulation of demand for services by the Marketing Committees (MCs) as for both research and extension services for which they were expected to gradually cover the cost of inputs in contractual agreements. A Marketing Specialist consultant is managing this sub-component in providing some of the training under this component to the MCs. Marketing Committees were formed in 40 villages in four governorates; Assiut, Sohag and Qena in Upper Egypt and Kafr El-Sheikh in Lower Egypt. MCs have not started in Luxor yet. The project has formed 95 Marketing Committees (91% of the target). Highest number of committees was in Kafr El-Sheikh (32 committees) and the lowest number was in Assiut (12 committees). The total of beneficiaries from marketing activities amount 3,431 about 47% of the target. Highest members number was in Qena (197 members) and lowest members number was in Assiut (106 members). Females constitute 4% of the members in the four governorates. Highest female ratio was in Assiut (9%). For other governorates, the ratios was between 2% and 3%.

34. Building capacity had two types: the first type is for MCs members. During (July 2015 – June 2016), in coordination with the OFIDO Marketing Specialist, 28 training programs were conducted for 550 marketing committee's members (546 M, 4 F) in 3 governorates (Qena, Sohag, and Assiut), in order to activate the role of marketing committees and provide them with capabilities of new marketing skills, and to increase their competitiveness of agricultural products marketing, which have suitable impact in increasing farmers' income. The training topics focused on Marketing information systems, communication skills, writing and management of marketing contracts, post-harvest operations, and marketing opportunities. The second type is for beneficiaries. Marketing Specialties trained 1588 farmers (1566 M +22 F) in post-production, processing and marketing cumulative till 30 June 2016

35. In coordination with the OFIDO Marketing Specialist during (July 2015 – June 2016), the OFIDO MCs successfully marketed their products through 23 marketing contracts for 13 marketed crops (written and verbal). The beneficiaries were 598 farmers, and the total quantity was 18813 tons with total value 17,562,414 EGP. Sugar cane and Tomato are the most important with 13000 tons and 2100 tons respectively.

36. The marketing channels were (Exporters 1, Food manufacturing companies 6, wholesalers 8 and local markets 8). The implementation areas were 14 villages in 3 governorates (Qena 5, Sohag 6, and Assiut 3). The total number of jobs created by the production and marketing operations were 125,020 daily work jobs, according to the daily work opportunities provided by feddan during the season. The number of women members was expected to be at least 50% of the total target under this sub-component and the number of women MCs were expected to be 40% of the total formed. Extension seminar to emphasize the role of rural women in improving the livelihood and living standards in the rural communities were held and the total numbers of trainees were 3651 (462 M + 3189 F) cumulative till 30 June 2016. Women training topics included How to implement small & medium scale projects with a special focus on rural handicrafts, animal production, dairy production, food processing.

37. Gender specialists built capacities for 40 Women Cooperative Committees/ female Farm Leaders (57% of the target). This included 24 committees until September 2014 and 16 committees from November 2015 up to date. Since November 2015, number of committees were 9 in Qena, 3 in Assiut and 4 in Sohag. These committees should be ready to become Women MCs in the future by

Marketing Specialists supported by Gender Specialists. Since November 2015, 12 meetings (7 in Sohag and 5 in Assiut) were held and 141 females were attended to join the Marketing Cooperative Committees.

38. The mission's overall assessment of this component is **Moderately satisfactory** based on its findings in the field.

Agreed Action	Responsibility	Agreed Date
<b>Monitoring and Evaluating component 2 activities:</b> The impact of component 2 activities (MCs, Gender and FFS) on the farmers in the project area (their income and skills) should be evaluated by M&E.	NPCU/M&E	March 2017
<b>Extension:</b> The NPCU would hire a full time consultant to monitor and arrange for all extension/research and FFS activities.	NPCU	Immediately
<b>Strengthen the skills of FFS staff:</b> A proper TOT should be organized to refresh or strength the skills of the Extension staff who are involved in conducting the FFS at the Governorate level. A collaboration with GIZ under a specific agreement with OFIDO is required for this activity.	NPCU with GIZ	December, 2016

### Component 3: Rural Enterprise and Microfinance Development

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

40. **Implementation progress:** This component is executed by the Social Development Fund (SFD) using its standard operating procedures and existing outreach mechanisms. As of August 2016, the SFD has directly extended 39 loans to small enterprises amounting to L.E. 9.02; representing over 55% of the planned direct disbursement by SFD's Small Enterprise Development Organisation (SEDO). In addition to direct lending, SEDO had extended a loan agreement to an agricultural cooperative association in Qena of a total amount of LE 5 million. The cooperative, acting as an intermediary had on-lent the whole loan amount received from the SFD. The small enterprise loans are being used for dairy processing, trade in fertilizers and seeds, sorting and packaging of rice and other agricultural products. All loans extended by the cooperative were utilized to acquire trucks and agricultural equipment to assist sugar cane farmers in their businesses and remarkably improving their earning capacity; manifested in zero delinquency in repaying their instalments to the cooperative. The Central Microfinance Sector (MFCS) has issued loan contracts to seven CDAs with a total amount of L.E. 6.59 million out of which L.E. 6.1 million are already disbursed to the CDAs and made available to their ultimate borrowers. CDAs were in-turn able to disburse a cumulative loan amount of L.E. 13.22 million to their end borrowers.

41. With regards to Microfinance and as of August 2016, loan contracts worth L.E. 6.6 million have been issued to 7 CDAs. Due to the revolving nature of microloans, CDAs were in-turn able to disburse a cumulative loan amount of L.E. 13.2 million to their end borrowers. CDAs have extended 2,278 loans for a range of activities described as commercial, service, industrial, crop and livestock production. From among these loans, 48% of were given to women in 1,092 loans. Overall, it is reported that the loans helped in creating 2,204 jobs. It should be noted here that the Microfinance Central Sector of the SFD has effectively responded to the last supervision mission recommendation and accordingly had exerted a remarkable effort in assisting CDAs to comply with the regulator's requirements and obtain the license as Microfinance institutions. This has enabled the Microfinance Central Sector (MFCS) at SFD to resume its activities since CDAs are now licensed and became legitimate for receiving funds from the SFD.

42. The mission would like to note here that despite the slow rate of disbursement of funds, the SFD had been consistently focusing on the proper targeting of loans to reach the intended beneficiaries. In terms of geographical targeting, all loans are 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. Due to the uncontrolled impediment of the new Microfinance law requirement to certify all CDAs by the regulatory Authority "The Egyptian Financial Supervisory Authority – EFSA" and in light of the efforts done by the SFD to certify all CDAs, as well as the CDAs' loan applications pipeline; in addition to the rate of disbursement by SEDO of 77%, the mission rates this component as **Moderately Satisfactory**.

Agreed action	Responsibility	Agreed date
<u>Design and Execute a Comprehensive Capacity Development Program for CDAs and Relevant Stakeholders (Not limited to OFIDO: It is recommended that the SFD (in coordination with the NPCU) embark on a comprehensive Capacity Development Plan to enhance the performance of the Microfinance portfolio of the SFD. This plan should not be focused solely on the CDAs financed under the OFIDO and other IFAD projects; it should cater to benefit all CDAs working with the SFD and should also include Cooperatives working with SEDO.</u>	SFD-NPCU	Dec. 2016.

Based on the discussions held with the SFD, the capacity development plan is preferred to be comprehensive in the sense of covering the Macro, Meso, and Micro levels of the Microfinance Sector with specific needed interventions, as follows:

For the Macro Level:

- Update the Map of Microfinance institutions in Egypt to include all MFIs classified into tiers A, B and C; as per the classification of the Egyptian Financial Supervisory Authority (EFSA)
- Develop a roster of qualified Audit firms (registered with EFSA), as well as qualified technical assistance and training services providers
- Update the Client Survey and Impact Assessment study on Microfinance prepared in cooperation with the SFD in 2008

For the Meso Level:

- Assist the SFD/MFCS in updating/finalizing its strategy and business plan which had been developed in part and subject to completion.
- Assist the nascent developed Egyptian Microfinance Union (established under the umbrella of EFSA) in developing a comprehensive strategy and business plan to facilitate access to capacity development activities by MFIs.

For the Micro Level:

- Provide training to MFIs on the methodology and contracting requirement with the Egyptian Credit Bureau (i-score) to facilitate including MFIs' database in the credit scoring system and rationalize credit decisions. This training could be conducted at the Governorate level and would cover the entire country with 10 training events
- Provide training for tier 3 MFIs on the basics of Accounting, Financial Analysis, Internal and External Audit requirements and performance reports needed for EFSA
- Examine the possibility of cost-sharing with MFIs in acquiring automated loan tracking systems
- Provide training for SFD and CDAs' staff in value chain assessments (especially for agricultural-related activities), conducting relevant market surveys, and financial product development.
- Provide training for MFIs enabling them to provide relevant non-financial services for their target clients including Business development, marketing, product pricing, simple accounting, adhering to health standards (especially for female heads of households – FHHs).

Finally, it is recommended to assign the above tasks to qualified technical assistance and consulting firms. The mission had inquired with the SFD about proper firms and came up with a list of potential firms, these are:

- North South Consultants Exchange <http://www.nsce-inter.com>
- Entrust <http://entrust-dmc.com>
- Blue Consulting <http://www.blueconsulting.org>

- Alexandria Business Association (ABA) <http://www.aba-sme.com>
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## D. Project implementation performance

44. **Project management performance.** The Project Management is now concentrating most of its activities on Upper Egypt, where the bulk of project activities has been shifted. The overall day to day management is somehow improving through a better distribution of responsibilities between the National Project Coordination Unit (NPCU) and appointed part-time staff at the Governorate Project Coordination Units (GPCUs) level. During its meetings with members of the GPCUs in each Governorates the mission emphasized that the project is living a critical implementation phase that would require a close collaboration and tight follow up on progress through monthly meetings.

45. With various changes in the senior positions in the MARL, MWRI (including Ministers), the Project Steering Committee could not meet as often as expected. The mission was pleased to see that a meeting was held after the last supervision mission on October 2015 and copy of the minutes were provided to the mission. The PSC discussed one of the most critical issue which hamper project implementation and which is related to the cooperation with the MWRI. As a result of this a judicious decision was taken that ended up with the revival of the dormant Agreement signed between the two Ministries in 2011. Thanks to the new agreement, updating the previous one, signed on 22 May 2016, the mission has witnessed during its field visit the positive readiness of field representatives of MWRI to intensify their collaboration with the project. This was confirmed during the workshop organized at the end of field visits with representatives of all stakeholders including Governorate Undersecretaries of Irrigation, agriculture and representatives of electricity companies, consulting firms and contractors.

46. However, the mission believes that, the internal organisation of the NPCU as part of the PMU/MARL under which it has been established and where the staff are responsible for activities of other donor Projects, in addition to OFIDO, is not optimal for the project management. The mission found it difficult to collect all the needed and accurate information on time. The overall rating of project management is **moderately satisfactory**.

47. **Monitoring and evaluation.** The Project hired a consultant who is in charge of M&E at central office. He is supported by two persons in each governorate to collect data at the local level and report to him. The progress report for the last FY6 was submitted on time during the mission visit. However, the report still needs to be refined particularly now that project activities are progressing well in Upper Egypt to better capture, in a concise and systematic manner, all the relevant indicators in well-organized tables. Information relate to the second level RIMS indicator have been collected for the first time by the M&E Unit in cooperation with Extension services in each Governorate. From November 2015 to January 2016, a rapid assessment of the farmer's adoption rates and satisfaction level with the new development on farm irrigation system was conducted in the project areas in Lower Egypt where the project has completed the improvement of an area of 9,244 feddans benefiting to about 8,300 small farmers. The survey was based on a main questionnaire template, besides two additional templates for gender and rural-finance activities. The results provided useful information for topics, such as ratios of farmers who can operate and maintain the system, irrigation problems in the project areas, the roles of Marwa Committees and WUAs.

48. In addition, three Baseline Surveys for the two additional governorates of Upper Egypt (Menya, Beni Sueif), were completed from March to May 2016 in cooperation with the Economic Affairs Sector. The information collected data highly linked to RIMS such as average yield and return from different crops, average irrigation time duration and costs, households assets and capacity of services provided by extension and cooperatives. The mission's is of the opinion that the overall rating of the M&E System of OFIDO is **satisfactory**.

49. **Gender focus.** Project activities related to gender were appreciated by the mission in Lower and in Upper Egypt governorates during the mission. During previous mission, there was a problem due to lack of a Gender Specialist in the program who could identify opportunities for women based on their interest and capacity. Gender specialists was returned to the work since November 2015.

50. 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. Although Farmers Field School (FFS) methodology was just conducted before mission time, the Supervision Mission observed good examples where women could learn new dairy production and food processing activities and apply them. It is recommended to connect such activities with marketing cooperative committees to improve the income of these women. As was the case in the previous mission, women met by the Supervision Mission indicated interest in accessing loans for some of the off-farm enterprises. 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. A robust information programme on condition of access to credit should be undertaken by NPCU in collaboration with SFD under rural finance component to provide such women with required information in order to apply for such loans. The overall gender focus of the Project is **Satisfactory**.

51. **Poverty focus.** 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, but as witnessed by the mission during visit to Sohag, 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.

52. According to the assessment that was done during the Baseline Survey, the regular access to irrigation water in the above mentioned areas will increase the income of the targeted population by an average of 40 percent (monetary/cash and non-monetary/in kind incomes together) compared to households which don't have any access to irrigation water. The mission observed that the poverty focus of the Project is satisfactory given that the command areas of the identified irrigation schemes are mostly owned by smallholders (average less than 2 feddans/HH). The mission considers the poverty focus rating as **satisfactory**.

53. **Effectiveness of targeting approach.** As per project design, the targeting approach of the Project is based primarily on the selection of the branch and sub-canals that satisfy to technical criteria in terms mainly on water reliability and satisfactory functioning of the canals. It also included poverty criteria mainly on smallholders targeting. The training programme also focuses on topics and areas of interest which are far more relevant for the small holder. The microloans are of a size which is generally only of interest to the small holder. The mission observed that, the enterprise loans are for the more entrepreneurial individual and this inclusion is also appropriate given that it is the overall growth of economic activity which will fuel demand creation for locally produced goods and services which generally leads to overall growth and poverty reduction in rural areas. It is the mission opinion that the targeting approach is overall **satisfactory**.

**Table 3: Overall Coverage and Outreach of the Project (June 30, 2016)**

	Men	Women	Total HHs	Rural women ratio %
<b>Irrigation and Water Management</b>				
Irrigation Improvement	7764	1066	8830	12.1
Infrastructure Management (Training)	3528	164	3692	4.4
Natural Resource Management (Training)	808	10	818	1.2
Solving technical problems (Meetings)	1184	147	1331	11.1
<b>Agriculture Competitive Enhancement</b>				
Crop production practices and technologies	857	5	862	0.6
Livestock production practices and technologies	282	2681	2963	90.5
Post production processing and marketing	1566	22	1588	1.4
Marketing Associations	794	581	1375	42.3
<b>Rural Enterprise and Microfinance</b>				
Micro loans	1178	1077	2255	47.8
Enterprise loans	17	11	28	39.3
Training	956	269	1225	22

54. **Innovation and Learning.** Under the Project, for the first time, the MALR has recruited middle tier and small contractors to implement the improvements in the irrigation system. This has helped to develop a range of local contractors and service providers in the target Governorates. The project is planning to launch a contractors' pre-qualification process based on the performance recorded during their experience with OFIDO. The short-list will be merged with a list available with the MWRI. This in preparation for a scaling up of project activities.

55. The Project is also trying to re-establish water user associations at various levels. While the establishment of such associations has been tried before, the process has been somewhat top down. The project plans to establish water committees at the marwa level and embed them in the cooperative structures at the village level and then, build them as representative models at the mesqa and branch canal level with MWRI support

56. **Climate and Environmental Focus:** The project is expected to have a direct focus on the environment as a result of installing under-ground pipes which are expected to reduce the water losses due to evaporation and seepage losses especially in the summer months when there is acute shortage of water for irrigation. As a result of the underground installation of pipes there is also expected to be an improvement in the environment as water channels will not be used for disposal of garbage and other solid wastes as is the current practice. This is also expected to reduce pollution and reduce the spread of disease *Overall rating is satisfactory.*

57. **Partnerships.** In addition to OFIDO, the Project Management Unit (PMU) manages the water investment for several donors including the World Bank, GIZ, and OPEC. This joint management responsibility enables the PMU to coordinate and build synergies in the investments of the various donors. OFIDO has capitalized on the investments made by GIZ in strengthening the PMU capacity for data collection and analysis as well as building a GIS system. OFIDO is working on a partnership agreement with GIZ. The PMU is capitalizing on lessons learned from OFIDO's on-farm improvement through OPEC funds (USD35 million). The NPCU revived partnerships with the MWRI to provide the technical designs for the main canals, the strengthening of the water user associations through the Irrigation Advisory Service (IAS), the use of private contractors in the construction of the channel. These partnerships need to be further strengthened to ensure improved implementation of the project.

Agreed action	Responsibility	Agreed date
Enhance coordination management and monitoring of project activities among project stakeholders at each Governorate through monthly meetings to be convened by the GPCU	NPCU/GPCUs	On-going
<b>Monitoring and Evaluation.</b> The M&E Unit would supervise the implementation by ARC of a full measurement programme that record water application, irrigation practices and other relevant information about soil, yield, and any provided extension-services in the selected areas to assess the effect of the project on reliability, equity, water production and water use efficiency	NPCU/ARC	April 2017

## E. Fiduciary aspects

58. **Financial management. Financial management.** The quality of Financial Management of the Project has been rated moderately satisfactory.

59. **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). 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.

60. **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 2016/17 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.

61. The first version of AWPB for the year 2016/2017 was submitted on 17 May 2016 for IFAD's review and concurrence, two weeks after the submission deadline articulated in the General Condition, however the revised version after incorporating IFAD's comments was approved on 4 July 2016.

62. **Actual expenditures against AWPBs.** Rated moderately unsatisfactory. The total actual expenditures of the project for the financial year ended June 2016 and the year to date (15 August 2016) against 2015/16 and 2016/17 AWPBs continued to be very low (14% and 3% respectively). The accumulated actual expenditures rate as of 15 August 2016 was 30% of the total allocated budget after 6.5 years that elapsed since the project entered into force, and 23% of budgeted amount in USD under IFAD's Loans and Grants. The mission recommends strengthening of the budgetary controls by ensuring rigorous and systematic monitoring of actuals versus budget on monthly basis by management and corrective actions are to be taken to timely address significant variances including revision of AWPB if needed. The monthly reports are to be shared with IFAD for monitoring purposes.

63. **Funds flow and disbursement arrangements.** The Project has three USD Designated accounts opened at the National Bank of Egypt (two for OFIDO NPCU and one for SFD). NPCU has one pool Designated account to receive funds from the original and the additional Loans proceeds and the other pool Designated account to receive funds from the original and the additional Grants proceeds. The funds then flow from the pool Designated accounts to the correspondent operational accounts opened in local currency. SFD has one designated account to receive funds from the original Loan proceeds related to rural finance category and from which the fund flows to the operational bank account opened in local currency. All payments are paid in local currency to the contractors, suppliers, services providers, training, and workshops and for lending activities through the operational bank accounts.

64. Government counterpart fund flows quarterly to MALR bank accounts.

65. **Designated accounts.** As of 7 September 2016, the closing balances of the Designated accounts including the equivalent in USD of balances in local currency in the operational bank accounts are: USD 2.09 million Loans - NPCU, USD .8 million Grants – NPCU and USD 1.01 million for Loan – SFD.

66. **Internal controls.** The internal control system within the NPCU and SFD conforms to the government and the internally established procedures and is deemed satisfactory. It ensures the separation of functions through several controls mechanisms. 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. A financial management implementation manual is not available except of an internal procedure that was specifically prepared for NPCU and approved by the Minister of MALR but is not comprehensive and not fully adhered to by finance staff. The project financial transactions are recorded manually in cash books. The fixed assets register is maintained by a dedicated person at the NPCU who is responsible for updating the register in the assets system. The mission however was not able to obtain the updated register at the time of the mission. The mission recommends that AWPB to be translated to Arabic to facilitate the review and verification of eligibility of expenditures carried out by the persons involved and mentioned above.

67. 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.

68. **Accounting.** NPCU does not use accounting software system. All expenditures are recorded manually by the finance unit of MALR including justification of advances. The mission noted that expenditures of the financial year 2016/17 have not been recorded yet. The mission recommends procuring an accounting system for NPCU to allow timely recording of financial transactions and facilitate generating the required reports and WA accurately and automatically. The expenditures from Government counterpart are paid and recorded at different unit in MALR and manually too. Beneficiaries contributions are not captured regularly and mission recommends that project to capture and record beneficiaries' contribution based on best estimates.

69. **Financial Reporting and Monitoring.** Consolidated financial reports prepared by the NPCU manually, on Excel sheets, including the statement of expenditures by component, category and financier, the statement of sources and uses of funds by financier, category and component. However, such reports are readily available and not prepared regularly but upon request. The financial statements are prepared on cash basis.

70. 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.

71. **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.

72. 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 check list for the audit of projects funded through the CDAs and another check list for the audit of small projects funded through intermediaries.

73. **Disbursement is rated as moderately unsatisfactory.** The disbursement percentages as of 7 September 2016, for the original and additional Loans in SDR were 37.82% and 8.57% respectively. While for the original and additional Grant, the disbursement percentages were 96.88% and 18.96% respectively. The disbursement per financial product, currency and disbursement method since MTR in Jan 2015 are as illustrated in the below table.

Implementing agency	Original Loan	Additional Loan	Original Grant	Additional Grant	Total
NPCU – direct payments	USD 991 255.13				USD 991 255.13
	SDR 71 533.16				SDR 71 533.16
NPCU – replenishment	USD 5 215 050.19				USD 5 215 050.19
	SDR 3 751 652.28				SDR 3 751 652.28
NPCU – advance	USD 500 000	USD 1 000 000	USD 760 000	USD 170 000	USD 2 430 000
	SDR 357 311.30	SDR 723 793.26	SDR 536 053.1	SDR 123 259.86	SDR 1 740 418
<b>Total – NPCU</b>	<b>USD 6 706 305.32</b>	<b>USD 1 000 000</b>	<b>USD 760 000</b>	<b>USD 170 000</b>	<b>USD 8 636 305.32</b>
	<b>SDR 4 824 346.74</b>	<b>SDR 723 793.26</b>	<b>SDR 536 053.1</b>	<b>SDR 123 259.86</b>	<b>SDR 6 207 452.96</b>
SFD – replenishment	USD 2 218 385.91				USD 2 218 385.91
	SDR 1 585 341.69				SDR 1 585 341.69
<b>Total – SFD</b>	<b>USD 2 218 385.91</b>				<b>USD 2 218 385.91</b>
	<b>SDR 1 585 341.69</b>				<b>SDR 1 585 341.69</b>
<b>Grand total of WA processed since MTR</b>	<b>USD 8 924 691.23</b>	<b>USD 1 000 000</b>	<b>USD 760 000</b>	<b>USD 170 000</b>	<b>USD 10 854 691.23</b>
	<b>SDR 6 409 688.43</b>	<b>SDR 723 793.26</b>	<b>SDR 536 053.1</b>	<b>SDR 123 259.86</b>	<b>SDR 7 792 794.65</b>

74. **Counterpart funds is rated as moderately satisfactory.** Counterpart funds were budgeted at USD 19.3 million under both original and additional financing. The rate of the accumulated actual expenditures against the total budgeted amount was 69%. The mission however noted that there have been repeated delays in receipt of counterpart funds particularly during the first quarter of each financial year. Consequently, project staff budgeted under government resources do not receive their salaries timely. Such delay increases the risk of using IFAD's Loan and Grants proceeds to pre-finance salaries and fixed operational costs. The mission therefore recommends no pre-financing is allowed; and that IFAD's Country Director and Project Manager to address the constant delays with the relevant ministry/ies.

75. **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. A list of key covenants and the compliance therewith is compiled in Appendix 6.

76. **Statement of expenditure review.** The mission examined the WAs million which were disbursed since the last MTR mission and found that all supporting documents are retrievable however the completeness of supporting documents in relation to civil work payments requires improvement. The payments must be supported with contract monitoring form, copy of the contract, amendment to original contract and no objection letter any amendment if applicable, copy of check. Equally, improvement is required in the processes currently followed and the supporting documents for payments related to trainings and workshops. The mission also recommends close monitoring and tracking of bank guarantees related to advance payments and performance validity and accuracy.

77. **Procurement.** Overall, the performance of procurement is considered to be **moderately satisfactory**. Procurement processes continues to follow the same approach, envisioned at project design with the NPCU carrying out all procurement transactions. The mission noted a delay in the implementation of the procurement plan, less than 50% of the transactions enrolled in the plan have been processed. *The mission has discussed with the project management the need for immediate actions to improve the procurement processes.*

- *Procurement Planning.* The preparation of the procurement plan has improved with adoption of a format that allows sensible procurement planning. The 2015-2016 procurement plan was found to meet the basic requirements. *The mission provided a series of suggestions to further improve these points, including updates of the procurement plan at least on quarterly basis to*

*include all procurement activities as well as any necessary changes to reflect implementation realities.*

- **Contract Register.** It was noted that the contract register exists within the financial management system for NPCU, however the link between the procurement processes and maintaining the register is absent. *To further improve the quality of reporting, the mission recommends that the NPCU updates the contract register to on monthly basis.*
- **The procurement filing system.** The mission found that there is a dedicated filing system for procurement. Most of the supporting documents of the procurements are in place and in a good order.
- **Contract management.** The mesqa improvement contracts are experiencing stoppage and delays, this partly due to the low performance of some contractors. *The mission urged the NPCU to apply contractual provisions strictly on all delayed contracts.*

78. **Audit.** Quality and timeliness of audit have been rated as **moderately satisfactory**. Financial statements for the year ended June 2015 have been audited by AHC - Chartered Accountants and Consultants, a private auditor. The auditors conducted their audit in line with International Standards of Auditing. The audit report and management letter were received on 7 January 2016, one week 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 mission recommends that project finalise the procurement and appointment of the new external audit firm.

Agreed action	Responsibility	Agreed date
Strengthen the budgetary control of actuals versus budget and corrective action to be taken to address significant variances	NPCU/SFD	monthly basis from now onward
Procurement of an accounting system and ensuring timely recording of expenditures in the books	Project Director/FM	31 October 2016
Update the PIM	NPCU	15 November 2016
Follow up with relevant ministry/ies to release the counterpart contribution planned under 2016/2017 for NPCU planned costs	NPCU / IFAD	30 September 2016
No pre-financing is allowed from IFAD's Loans and Grants proceeds	NPCU/FM	Continuous
Translate AWBPs to Arabic language	NPCU	15 October 2016
Improve the supporting documentation and archiving for civil works, training and workshop payments	NPCU/FM	Continuous
Close monitoring of bank guarantees' validity and accuracy	NPCU	Continuous
Finalisation of the procurement and appointment of the new external audit firm	NPCU	15 October 2016
Apply the contract provisions on all delayed contracts	NPCU	Immediate
Monitoring of the implementation of all irrigation improvement contracts based on agreed timetable and report on a monthly basis to IFAD	NPCU	Immediate
Submit the register of contracts on monthly basis	NPCU	September 2016, ongoing
The procurement plan to be constantly updated.	NPCU	October 2016, ongoing
Maintain a complete procurement centralized files.	NPCU	October 2016

## F. Sustainability

79. **Institutional sustainability.** The sustainability of the Project investments lies essentially upon the implementation arrangements that has assured a close involvement of the institutions for the implementation of its activities through various agreements. This ensured commitment to the project among senior technical management particularly at Governorate levels. In addition, the NPCU has adopted a participatory approach in the selection of the areas to be developed that ensures ownership and an organisation of farmers through water user associations that would assume the responsibility for the proper operation and maintenance of the system and that are being established and their

statutes recognized and registered under the Water Law. Project sustainability largely hinges on the ability of WUAs it promotes to operate and maintain sustainably beyond project life. *Overall rating is satisfactory.*

80. **Social sustainability (Empowerment).** In Upper Egypt as in Lower Egypt, the mesqa and marwa irrigation systems are considered to be owned, operated, and maintained by farmers through traditional behaviours that are being formalized through the establishment of legally recognized WUOs. The mission was impressed with the farmer's 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, 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<sup>8</sup> *Overall rating is moderately satisfactory.*

**Box 1: Farmers perception on mesqa/marwa improvement benefits**

- Reduction of operational and other conveyances losses to minimum levels
- Farmer's irrigation costs (labour, pumping and mesqa maintenance) are substantially reduced
- Farmer willingness and ability to pay for improvements
- The inequity of distribution that results from head end farmers taking irrigation water at the beginning, coupled with the long lag times required for water to reach the tail end as canals are refilled would be mitigated
- Conflict resolution. Conflicts used to arise between farmers at the head, or beginning, of the mesqa and those at the tail, or far end.

81. **Economic and financial sustainability.** The farmers in such case were seen to have developed a system of collection of fee on a seasonal basis for the payment of the electricity costs as well as some additional charges. The farmers also pay for the full replacement costs of the pumping units. This cost recovery concept is traditional and acceptable to farmers. The project support for creation of WUAs and training their leaders and members will enhance capabilities of the farmers and ensure sustainability of the investments at the farm level.

82. Farmers reported to the mission that they saved about 50% of the labour originally needed for irrigation and as much as a further 10 days /ha/year on maintenance. The MTR mission was satisfied that there is a substantial cost reduction in switching from diesel pumps to electric pumps. There are clearly savings in the cost of pumping water but the extent to which these are passed on to the farmers is still uncertain and depend very much on the strength of the water users and the transparency and accountability within these institutions *Overall rating is moderately satisfactory.*

83. **Technical sustainability.** The Project implementation introduced a proven simple technology for the modernization of the old existing traditional irrigation system with the use of high quality pumping equipment, electrification, PVC-resistant pipes and a locally designed hydrant frame that has been experienced and continuously improved. The performance of the new hydrant which has been improved upon in the last few years in terms of operation, easy maintenance and low cost for replacement would assure the technical sustainability

84. **Scaling-up and replication:** During its period of implementation the Project is experiencing the effectiveness of a series of technical, institutional, and social challenges under various conditions that could serve as a basis for a strategic development of a scalable integrated model for the improvement of on-farm water use. The up-scaling is already being tested in the two additional Governorates (Menya and Beni Sueif) over an area of 7,000 feddans. More importantly, the IFAD funded OFIDO is trying to lay the groundwork for enabling the Government to achieve its objective of modernization of the on-farm irrigation system in the mega 5 million feddan programme of the Government *Overall rating is moderately satisfactory*

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8 All the pumping stations are being equipped with a meter that records for each farmer the energy consumed during its irrigation turn.

**85. Responsiveness of service providers** is rated **satisfactory (5)**. The enlisted service providers for the modernized on-farm irrigation system (design, supervision; and construction) have continued their work and appear to perform well (eleven ongoing irrigation improvement sites in Upper Egypt were visited). The improved response by the small private sector to provide modernized on-farm irrigation system have improved prospects of sustainability and scaling up. A model for involvement of the private sector for Marwa improvement has been developed for the first time in the country and has yielded a group of qualified small contractors who are ready to contribute positively not only to the future modernized on-farm irrigation system but also to provide routine and ad-hoc maintenance works for the existing systems. Large scale adoption of the model hinges largely on the availability and accessibility to the financial resources which can be secured through the SFD. The individual consultants (M&E, Marketing and Gender) as service providers play an important role in the implementation of other project activities. .

**86. Environmental sustainability.** The Project is expected to have a direct focus on the environment as a result of installing under-ground pipes which are expected to reduce the water losses due to greater efficiency in the use of water 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 disease *Overall rating is moderately satisfactory.*

**87. Exit strategy.** The institutional arrangements, adopted by the project for the implementation of most of its activities, are based on close partnership between the NPCU and the line ministries and concerned agencies relying on their existing skills and capacity. The NPCU after the MTR confined its role of servicing mostly as a coordinator. Hence the handing over the activities initiated by the project will not be a major problem. As mentioned in previous missions' reports, there is a built in exit strategy into each component of the Project. The process of formal transfer of all the project assets at mesqa/pumping station level to WUAs including the operation and maintenance responsibilities of the system is a certain good exit strategy since Government interventions could not go beyond the level of main, branch and sub-branch canals that would continue to be under the MWRI. Decentralized services of MWRI at Governorates level will continue to be responsible for the branch canal and upstream level system for operation and maintenance. In the second component, the project has just provided additional resources for the Government's field extension and research/development services to enhance their training capacity. They would be hence in a best position to continue support to farmers. With regard to marketing and financial services, the Project is undertaking actions to forge linkages between the private sector traders and individual farmers as well as between local financial service providers such as CDAs/NGOs and between entrepreneurs and SFD directly, that should continue beyond the Project life if they help to serve the interests of the farmers *Overall rating is moderately satisfactory.*

## **G. Impact**

**88. Physical and financial assets.** Project modernization of the old irrigation system will have a positive impact on household's livelihoods in the sense that the painful work to irrigate the fields and the time it takes will be significantly reduced. Farmers met during field visit confirmed that it takes now only about one hour to irrigate a feddans instead of five hours in the past. In addition, continuous maintenance of mesqa and marwas is no more needed, and access to water through a better schedule with an individual pre-paid card makes their life easier. In addition, farmers are benefitting because of the much lower cost of using electricity compared to diesel, the convenience, time and labour saving through use of an electric pump. There is greater efficiency in the use of water and equity in the system has been enhanced as a result of the supply to the tail reaches of the command area. Additionally, land has been gained due to the shifting of the marwas underground. Benefits from the irrigation investment are likely to be the same in Upper Egypt where works recently been initiated *Overall rating is moderately satisfactory.*

89. **Food security.** As stated during last mission, there has been little recording of the impact on food security and increase in incomes as a result of the water investments since improved areas have not been cropped under the new system. There does not seem to be a change in cropping pattern or cropping intensity which is evident at this stage. However, farmers in the tail reaches whose supply of water was uncertain are likely to gain much more from the investment. Planned works in Lower Egypt have now been completed over an area of 9,244 feddans, and are under production with more efficient and reliable irrigation system *Overall rating is moderately satisfactory.*

90. **Increase in incomes.** There are clearly savings in the cost of pumping water but the extent to which these are passed on to the farmers is still uncertain and depend very much on the strength of the water users and the transparency and accountability within these institutions. The fact that farmers are poor with a high marginal propensity to spend on food consumption means that the savings are likely to be diverted towards increased food intake.

91. **Policy impact.** The institutional, organisational and legal issues that the project challenged would laid the groundwork for enabling the Government to develop a strategic vision to achieve its objective of improvement of the irrigation sector in the mega programme of 5 million feddans. In the framework of the Project some critical policy issues with respect to the approach for the development and modernization of the irrigation infrastructure in the old lands are being raised and discussed with senior officers in both ministries MARL and MWRI. These issues revolve around the institutional infrastructure of the irrigation sector, the ideal balance between the role of the public and private sector in irrigation development, the roles and responsibilities of the water user associations, the technical specifications which will ensure technical and economic feasibility of the irrigation system and the best approach to adopt in the modernization of the system. OFIDO is already helping to answer some of these critical issues which can influence policy in the modernization of the irrigation sector in the country.

## H. Conclusion

92. In the last few months, with the critical support of the MARL, OFIDO has made considerable efforts to overcome most of the major bottlenecks that were hampering its implementation. Noticeable progress is being made by the project in all the activities, including those related to agriculture competitiveness enhancement and rural finance, but still has to get through critical challenges to achieve its targeted outputs.

93. While in Lower Egypt the work has been completed as per previous mission's recommendations, the project is currently focusing its efforts on Upper Egypt where the social conditions require more attention and flexibility in the implementation process. Although, the work in Upper Egypt is capitalizing on the experience and lessons learnt in Lower Egypt to enhance the quality through the introduction of improved standard of equipment, the recruitment of qualified control and supervision consulting firms, and competent contractors, it necessitates legitimate adaptations. This new approach is being implemented successfully in the last area of intervention (Qena II) through a turn-key mode of procurement and a day to day consultation with farmers.

94. Overall, the supervision mission has observed the readiness and willingness of all the concerned parties to collaborate and cooperate to solve the major challenges that are of institutional, technical and social nature. There a need, however, for a tight monitoring based on a detailed timetable, of implementation of agreements reached and mission's recommendations are of high importance. In particular:

- i. the implementation of the agreement signed with the MWRI, establishing a stable and operative cooperation,
- ii. the monitoring of the management of all the civil works contracts on the basis of the agreed timetable,
- iii. the implementation of electricity power supply to pumping stations by the Electrical Company at a pace which should be synchronized with the civil works, and

- iv. the effective participation and empowerment of farmers through the establishment of water user associations (WUAs)

95. The project is experiencing the effectiveness of a model for improving the irrigation system in the old lands of Egypt that handles technical, institutional, and social issues. OFIDO is already helping to answer some of these critical issues which can influence Government policy in the modernization of the irrigation sector in the country. This improvement is realising efficiency gains in terms of energy cost and water saving which can be passed on to the farmers in terms of reduced costs as well as bring equity in the system by making water available to the tail end users. The lessons learnt by OFIDO could serve as a basis for a strategic development of a scalable integrated model for the improvement of on-farm water use and lay the groundwork for enabling the Government to achieve its objective of modernization of the on -farm irrigation system in the mega nation-wide of 5 million feddans programme.

## 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	26 <sup>h</sup> October 2016				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	6		
Last Supervision	September 2015	Last Implementation Support/Follow-up mission	September 2015		

USD million Disb. rate %					
Approval	17-Dec-2009			Total financing	92.16
Agreement	16-Feb-2010	Effectiveness lag	2.0	IFAD Total	62.00
Entry into force	16-Feb-2010	PAR value	-----	IFAD loan	60.00
First disbursement	21-Mar-2011			DSF grant	
MTR	27-Jan-2015	Last amendment		IFAD grant	2.00
Original completion	31-Mar-2018	Last audit	20-May-2016	Domestic Total	30.16
Current completion	31-Mar-2018			Beneficiaries	10.84
Original closing	30-Sep-2018			Government (National)	19.32
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	4
2. Acceptable disbursement rate	2	2	2. Performance of M&E	5	5
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	3
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	5	5
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	4	5
			8. Climate and environment focus	5	5
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Irrigation and Water Management	4	3	1. Institution building (organizations, etc.)	4	5
2. Agriculture Competitiveness Enhancement	3	4	2. Empowerment	4	4
3. Rural Enterprise and Micro Finance	3	4	3. Quality of beneficiary participation	4	4
4. Project Coordination and Management	3	4	4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	4	5

### B.5 Justification of ratings

The project is starting its 7th year of execution and the rate of execution and the amount of disbursement of the IFAD loan and grant are still far below target, although the project has already launched and committed the bulk of planned activities. During last fiscal year the pace of implementation, has been hampered by unexpected constraints of institutional, technical and social nature that have slowed down the rhythm of execution and created delays in the implementation. Promisingly, the project management has successfully solved the most important constraint by signing a new agreement with the MWRI for tight

collaborative coordination and action. In addition, 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. The agreement reached with the Irrigation Improvement Sector (IIS) of the MWRI, regarding their involvement in the supervision and control and in the establishment of WUAs would allow the Project to reach an acceptable rate of achievement. The project has devised a demand-driven and bottom-up approach for organizing water users into Marwa Committees that would federate into formally recognized WUAs. A solid and effective program of formation of WUAs is being defined, in collaboration with the MWRI, in line with the newly signed protocol. Adequate changes have been introduced in Project management arrangements and measures are being introduced to accelerate the OFIDO implementation rate such as effective delegation of responsibility, hiring of new skills and enhanced communication between central management unit (NPCU) and governorates units (GPCU). The day to day management is supported by a strong M&E system that is expanding its capabilities and improving its methodologies to increase data collection accuracy. The project is vigorous in targeting smallholders and inclusion of women is noticeable particularly in the extension and marketing training activities and in rural finance and enterprise development component.

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. Works in Upper Egypt, while almost already contracted, have been seriously slowed because of various unexpected constraints as mentioned above. Of a target area of 15,350 feddans, only about 2,468 feddans have been improved (17%) by the end of August 2016.

Achievement are assumed to accelerate since most of the bottlenecks are being solved and that overall 85% of the work on the supply and installation of the electricity grid, installation of transformers and power cables are completed and equipment of pumping stations and PVC pipelines are about to accelerate. The agriculture competitiveness enhancement component has shown noticeable progress mainly due to the fact that as per MTR mission recommendation activities under this component are being financed through the IFAD grant. The project intends strengthen training activities to through successfully tested Farmer Field School model in collaboration with the on-going GIZ project. The rural enterprise and microfinance component, despite the slow rate of disbursement of funds, activities have been consistently focusing on the proper targeting of loans to reach the intended beneficiaries.

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. The lessons learnt by OFIDO could serve as a basis for a strategic development of a scalable integrated model for the improvement of on-farm water use and lay the groundwork for enabling the Government to achieve its objective of modernization of the on-farm irrigation system in the mega nation-wide of 5 million feddans programme.

## 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	5
C.4 Overall implementation progress (Sections B1 and B2)	4	3

### Rationale for implementation progress rating

By the time of the current mission, although the project has completed the procurement procedures for almost all the civil works, pumping equipment and electrification, the pace of implementation, that picked up after the MTR mission, is facing such a number of constraints, that need to be entirely challenged if the NPCU management expect to achieved project development objectives up to a satisfactory level. As a result, only about 11,700 feddans have been improved (47% of the total OFIDO 1, target area of 25,500 feddans). A rapid satisfactory survey was made by the M&E Unit in Lower Egypt has shown that after the shift from individual diesel pumps to a collective electric pump and the installation of underground pipes to convey the water to the irrigated land, there is decrease in the energy cost for pumping, saving of water, labour, and use of additional land productively which was previous lost due to the open channels. The impact of the agriculture competitiveness enhancement component has been in terms of increasing the contacts with markets of some of the market committees. By the end of June 2016, the Project had trained 12,479 people (31%of the target) in the various training programs of which 26% were women. The market facilitation has resulted in improving the farmer's ability to market their produce in some areas. The total of beneficiaries from marketing activities amount 3,431 about 47% of the target. The progress in the provision of loans has led to the start-up and expansion of existing business in a wide range of areas for both men and women and has also increased incomes and generated employment. The Project is expected to have a direct focus on the environment as a result of installing under-ground pipes which are expected to reduce the water losses due to greater efficiency in the use of water 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.

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

, Project implementation was hampered at its start by various constraints due to political and administrative changes and recently delayed due to unexpected institutional and social bottlenecks. During its visit the Mission witnessed that most of the bottlenecks have been solved, particularly the cooperation with the MWRI, under the agreement of 22 May 2016, the on-going completion of electrification grids, a more decentralized planning and implementation, and farmers' better understanding of project approach and benefits. Hence, the outreach of the project is towards rapid expansion in light of the current rate of execution of on-going works assessed by the mission. There are encouraging prospects that, the effective management of technical and social constraints, particularly related to the required authorization for the access to the land for improvement, the contractors' capacity to mobilize more means and resources and to the adoption of an effective participatory process for the organization and empowerment of water users, will impact positively project implementation. The planned activities under the agricultural competitiveness and enhancement and the rural finance components for the next AWPB, based on an effective

implementation plan, are now on a good track. It is therefore expected that the project is likely to achieve its development objective.

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

Fiduciary aspects	At its start, the project was using a mix of procurement methods including force account which was not in keeping with IFAD guidelines. This practise has now been stopped and all IFAD procurement is being made based on competitive bidding and use of private contractors. The project has also introduced an innovative Design and Build mode of procurement (Turn Key) that speeds up execution of works. The NPCU has improved the quality of supporting document that are provided to facilitate the No Objection from IFAD.
Project implementation progress	During the remaining 19 months before project completion date, the project management has to work at a very fast pace, to ensure the completion of all targets. A specific management organisation is being put in place for a tightly monitoring (on monthly basis) of progress based on a detailed timetable elaborated during the mission,
Outputs and outcomes	Implementation of irrigation improvement works and formation of Mesqa WUAs is delayed. Time for handing over the improved irrigation systems and strengthening the WUAs becomes limited. This will be mitigated through a rigorous and systematic monthly monitoring of the pace of execution by project management based on agreed timetable and the strong involvement of IIS/MWRI in establishing and strengthening WUAs.
Sustainability	The sustainability of the Project investments lies essentially upon the implementation arrangements that have assured a close involvement of the concerned government institutions for the implementation of its activities through various agreements. This ensured commitment to the project among senior technical management particularly at Governorate levels. In addition, the NPCU has adopted a participatory approach in the selection of the areas to be developed that ensures ownership and an organisation of farmers through water user associations that would assume the responsibility for the proper operation and maintenance of the system and that are being established and their statutes recognized and registered under the Water Law. The quality assurance of civil works and equipment, that is of major concern for project management and farmers is guaranteed by an independent consulting firm commissioned by the Project as a Technical Supervisor to monitor and check the day to day quality control and quantity measurement of the works carried out. The farmers will maintain the system as it is their only source and are readily assuming the responsibility for the proper operation and maintenance of the system where it has been completed.

**Proposed Follow-up**

Issue / Problem	Recommended Action	Timing	Status
Delay in the implementation of irrigation improvement works	the NPCU will examine the applicability of pre-qualification process to expedite the tendering for new contracts	End October 2016	On-going. Good progress. Closing for receiving applications is 27th November 2016.
	the implementation of the agreement signed with the MWRI, establishing a stable and operative cooperation	On-going	On-going. Good progress. MWRI staff are fully engaged to the implementation of irrigation improvement works
	apply the contract provisions on all delayed contracts	Immediate	On-going
	Finalise the bidding process for all new contracts by the end of January 2017	End of January 2017	Under implementation-going on. Good progress. The bidding documents for Minia governorate was completed and ready for tendering. Adoption of pre-qualification process will significantly shorten the tendering time.
	the monitoring of the management of all the civil works contracts on the basis of the agreed timetable	On-going	On-going, it was agreed that the NPCU for submit a bi-monthly progress report
Delay in the 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.	On-going	On-going

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

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

**Outputs\_**

1.1: 225 Mesqa canal and 6 branch canal WUOs established.  
1.2: 1000 Marwa committees (lower Egypt) established.

2.1: 104 MAs formed and successfully linked with traders and exporters.  
2.2: 70 MAs related to rural women activities formed

3.1: At least 14,068 micro-entrepreneurs.  
3.2: 48 MSEs benefit from short and medium/long term investment loans.

- 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.
  - 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.
  - 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.
  - Records of the Agricultural Directorate at the Governorate level.
  - Project reports
  - Records of the Agricultural Directorate at the Governorate level.
  - Project reports
  - Participating MFI(s), Banks Reports.
  - Project reports
-

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

### 3A Summary of key actions to be taken within agreed timeframes

<b>Key Recommendations Component 1: Irrigation and Water Management</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
<b>Cooperation between the MWRI and MALR:</b> It is critical that a concrete proposal be developed which specifies the clear role of MWRI in the implementation of the Project in Upper Egypt. Their role in design, preparation of tender documents, supervision, quality control should be clearly identified. The budget to facilitate their inclusion is included in the civil works category.	MALR/MWRI/MIC/NPCU	By September 30, 2015
<b>Quality control and Supervision of civil works and hydro-mechanic equipment:</b> It is critical to provide high quality tender documents, control the quality of the civil works, installation of the pumps, hydrants, valves, etc., through proper on site supervision on a regular basis. The tender documents must be prepared or checked by experienced and competent engineers in the works execution.	NPCU/MWRI/Consulting firm/Contractors	On-Going basis
<b>Component 1: Recommendations</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
<b>Lower Egypt:</b> A rapid hydrants state assessment need to be conducted in Behera and Kafr El-Sheikh in Lower Egypt at the level of all the 253 mesqa where project improvement occurred and identify the type and the scope of the remedies that would be required to enhance the performance of the system including the replacement of the flaw old hydrants with new ones.	NPCU	End December 2016
<b>Lower Egypt:</b> Undertake a program for a refreshment training of the 253 WUAS that benefited from OFIDO's financing and elaborate a plan to provide WUAs with spare parts.	NPCU	End December 2016
<b>Upper Egypt-Assiut:</b> The NPCU would convene with the MWRI a solution for the construction of the 15 pending pump station sites that are on public land along sub-branch canals	NPCU	End October 2016
<b>Upper Egypt:</b> The NPCU will examine the applicability of pre-qualification process to expedite the tendering for new contracts	NPCU	End October 2016
<b>Upper Egypt: Electrification.</b> The project management should monitor closely the progress of the Companies in charge electrification and provide assistance needed to solve all the bottlenecks to ensure electrification does not hamper the completion of work by contractors	NPCU	End October 2016

<b>Upper Egypt.</b> 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 giving immediate notice to the contractor as per provisions of the contract in the event that such materials and works fail to comply with the specifications.	NPCU/Consulting Firm	Continuous
<b>Upper Egypt:</b> For the 38 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 October 2016
<b>Upper Egypt – Sohag:</b> The project management will find an alternative with cooperation with MWRI, to replace the planned activities in the El Waneena branch canal in Sohag for which farmers do not agree with another area and speed up the process of engineering detail design and convene with the contractor to shift the area.	NPCU	End September 2016
<b>Upper Egypt: Sub-Branch canal improvement:</b> Carry out a general ground survey of the current status and level of degradation of the about 10 Sub-Branch Canals that would supply water to the Project pumping station and prepare a budget for maintenance and repair. The priority should be given to Arab Moteer, and El Taweel (Assiut), El Shareef and Anbar (Qena) and Youssef/Lahrizat (Sohag)	NPCU	End December 2016
<b>Upper Egypt. Formation of WUAs.</b> 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
<b>Farmers awareness:</b> Organize a visit for selected leaders of a group of farmers from Upper Egypt to visit WUAs in Behera.	NPCU	On-Going

<b>Key Recommendations: Component 2: Agriculture Competitiveness Enhancement</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
<b>Monitoring and Evaluating component 2 activities:</b> The impact of component 2 activities (MCs, Gender and FFS) on the farmers in the project area (their income and skills) should be evaluated by M&E.	NPCU/M&E	March 2017
<b>Extension:</b> The NPCU would hire a full time consultant to monitor and arrange for all extension/research and FFS activities.	NPCU	Immediately
<b>Strengthen the skills of FFS staff:</b> A proper TOT should be organized to refresh or strength the skills of the Extension staff who are involved in conducting the FFS at the Governorate level. A collaboration with GIZ under a specific agreement with OFIDO is required for this activity.	NPCU with GIZ	December, 2016
<b>Monitoring and Evaluating component 2 activities:</b> The impact of component 2 activities (MCs, Gender and FFS) on the farmers in the project area (their income and skills) should be evaluated by M&E.	NPCU/M&E	March 2017

<b>Key Recommendations Component 3: Rural Enterprise and Microfinance Development</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
Design and Execute a Comprehensive Capacity Development Program for CDAs and Relevant Stakeholders (Not limited to OFIDO: It is recommended that the SFD (in coordination with the NPCU) embark on a comprehensive Capacity Development Plan to enhance the performance of the Microfinance portfolio of the SFD. This plan should not be focused solely on the CDAs financed under the OFIDO and other IFAD projects; it should cater to benefit all CDAs working with the SFD and should also include Cooperatives working with SEDO.		
Based on the discussions held with the SFD, the capacity development plan is preferred to be comprehensive in the sense of covering the Macro, Meso, and Micro levels of the Microfinance Sector with specific needed interventions, as follows:		
For the Macro Level:	SFD/NPCU	December 2016
<ul style="list-style-type: none"> <li>Update the Map of Microfinance institutions in Egypt to include all MFIs classified into tiers A, B and C; as per the classification of the Egyptian Financial Supervisory Authority (EFSA)</li> <li>Develop a roster of qualified Audit firms (registered with EFSA), as well as qualified technical assistance and training services providers</li> <li>Update the Client Survey and Impact Assessment study on Microfinance prepared in cooperation with the SFD in 2008</li> </ul>		

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**Key Recommendations Component 3: Rural Enterprise and Microfinance Development**

<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
For the Meso Level:		
<ul style="list-style-type: none"> <li>• Assist the SFD/MFCS in updating/finalizing its strategy and business plan which had been developed in part and subject to completion.</li> <li>• Assist the nascent developed Egyptian Microfinance Union (established under the umbrella of EFSA) in developing a comprehensive strategy and business plan to facilitate access to capacity development activities by MFIs.</li> </ul>		
For the Micro Level:		
<ul style="list-style-type: none"> <li>• Provide training to MFIs on the methodology and contracting requirement with the Egyptian Credit Bureau (i-score) to facilitate including MFIs' database in the credit scoring system and rationalize credit decisions. This training could be conducted at the Governorate level and would cover the entire country with 10 training events</li> <li>• Provide training for tier 3 MFIs on the basics of Accounting, Financial Analysis, Internal and External Audit requirements and performance reports needed for EFSA</li> <li>• Examine the possibility of cost-sharing with MFIs in acquiring automated loan tracking systems</li> <li>• Provide training for SFD and CDAs' staff in value chain assessments (especially for agricultural-related activities), conducting relevant market surveys, and financial product development.</li> <li>• Provide training for MFIs enabling them to provide relevant non-financial services for their target clients including Business development, marketing, product pricing, simple accounting, adhering to health standards (especially for female heads of households – FHHs).</li> <li>• Finally, it is recommended to assign the above tasks to qualified technical assistance and consulting firms. The mission had inquired with the SFD about proper firms and came up with a list of potential firms, these are:</li> <li>• North South Consultants Exchange <a href="http://www.nsce-inter.com">http://www.nsce-inter.com</a></li> <li>• Entrust <a href="http://entrust-dmc.com">http://entrust-dmc.com</a></li> <li>• Blue Consulting <a href="http://www.blueconsulting.org">http://www.blueconsulting.org</a></li> </ul>		
Alexandria Business Association (ABA) <a href="http://www.aba-sme.com">http://www.aba-sme.com</a>		

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### 3B Summary of Actions on Previous Mission's Recommendation

<b>Key Recommendations Component 1: Irrigation and Water Management</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Action Taken</b>
<b>Cooperation between the MWRI and MALR:</b> It is critical that a concrete proposal be developed which specifies the clear role of MWRI in the implementation of the Project in Upper Egypt. Their role in design, preparation of tender documents, supervision, quality control should be clearly identified. The budget to facilitate their inclusion is included in the civil works category.	MALR/MWRI/MIC/NPCU	Done Refer to Minutes of Meeting between MWRI / MALR
<b>Quality control and Supervision of civil works and hydro-mechanic equipment:</b> It is critical to provide high quality tender documents, control the quality of the civil works, installation of the pumps, hydrants, valves, etc., through proper on site supervision on a regular basis. The tender documents must be prepared or checked by experienced and competent engineers in the works execution.	NPCU/MWRI/Consulting firm/Contractors	Done High Quality of Tender of Documents have been provided by NPCU before September 2015  Consulting Firm will be involved in the announce of New Tender Documents.  Consulting Firm provide Control of Quality of the Civil Works day by day including checking and vetting contractor statements.
<b>Procurement of equipment with the proper specification:</b> The quality control consultants and field irrigation supervisors from MWRI should check and approve the quality of all equipment prior to construction and installation.	NPCU/MWRI/Consulting firm	Done Due to low work progress of the contractors, the Consulting firm has presented three (03) quarterly reports (mid. Sept. 15 to Dec. 15, January 2016 to March 2016 and April 2016 to June 2016).  The Consulting Firm has checked and approved all materiel's submittal forms and simples furnished and executed in the project sites.
<b>Technical Calculations:</b> Record all hydraulic calculations to support the selection of the pipes of different pressure grades and the protection devices used to enable the system to withstand the water hammer and cavitation affects for each site. In addition, detailed drawings with technical specifications for each component of the system should be provided to guide the contractors.	NPCU	Done: All Hydraulic calculations has been done already during the design phase, accordingly the size of pipes are settled. The Consulting Firm makes randomly check during construction to ensure compliance with the designs or make necessary modifications with collaboration of NPCU.  Typical detailed drawings and Technical Specifications are given in the Tender Documents, whilst the shop drawings are submitted normally by the contractors and checked by the consultant for the good implementation.

<b><u>Review and replacement of older models of hydrants:</u></b> There is need to conduct a proper analysis of all the hydrants installed and replace those which are defective and modify those which can be improved through changing the protective casing and expanding the lever arm for ease of operation.	NPCU	No solutions has been received from the IFAD regarding this issue
<b><u>Strengthening of Water Users at all levels:</u></b> The NPCU needs to strengthen community participation in the discussion of the technical aspects of the design and secure agreement of the farmers prior to awarding any civil works and strengthen the water user associations through a proper system of awareness raising about roles and responsibilities, legal recognition and capacity building.	NPCU/CDIAS	In Progress
<b><u>Operation and Maintenance:</u></b> There is need to strengthen the <u>capacity of the water users</u> to properly operate and maintain the system as well as investing in <u>training of a cadre of local plumbers</u> to repair and maintain the system for long-term sustainability.	NPCU	Done NPCU in cooperation with MWRI
<b><u>Implementation of the recommendations of the previous MTR Mission:</u></b> Some of the key recommendations of the previous MTR mission have not been implemented. These have been identified in Annex 3B and should be implemented as soon as possible.	NPCU	On Progress

<b>Key Recommendations: Component 2: Agriculture Competitiveness Enhancement</b>		
<b><u>Agreed action</u></b>	<b><u>Responsibility</u></b>	<b><u>Action Taken</u></b>
<b><u>Gender Specialist:</u></b> The NPCU should recruit a gender specialist to strengthen women's participation in this component of the Project. The Gender Specialist should assist in the identification of women's needs for enterprise development, extension training and also identify areas of research important for women	NPCU	Done
<b><u>Research Plan:</u></b> While the NPCU has done well to prepare for close collaboration the development of an agenda of research which is consistent with the overall objectives of the Project needs to be prepared and approved by IFAD for the remaining project period.	NPCU in collaboration with its partners.	On-Going
<b><u>Monitoring and Evaluation of Extension Training:</u></b> A proper categorization of the training programme specifying the objectives, scope of work, trainer and the level of satisfaction of the participants needs to be prepared and presented systematically. At least 50% of all FFS should be for women only.	NPCU/M&E	On-Progress
<b><u>Training Methodology:</u></b> A proper TOT should be organized to refresh or strength the skills of the Extension staff who will be involved in conducting the FFS at the Governorate level.	NPCU	Done

<b>Key Recommendations Component 3: Rural Enterprise and Microfinance Development</b>		
<b>Agreed action</b>	<b>Responsibility</b>	<b>Action Taken</b>
<b>Facilitation to CDAs/NGOs to Obtain EFSA Certification:</b> SFD to identify the number of its current and pipeline NGO/CDA applicants who are likely to qualify for EFSA certification. In case of those not able to qualify SFD is expected to identify the reasons and assess if it can assist them to obtain the requisite certification. The report on CDA/NGO assessment should be included in the next quarterly report.	SFD	Done. The SFD/MFCS was able to certify 710 CDAs.
<b>Processing of Microloan Applications:</b> SFD to continue to undertake the preparatory work for processing loan applications for NGOs/CDAs so that as soon as the EFSA certification is issued, its micro-lending operations can be resumed. The number of CDAs/NGOs applying and the volume of expected lending should be reported in the quarterly reports.	SFD	To be continuously monitored. SFD/MFCS has processed new loan applications for additional 6 CDAs with a total amount of L.E. 7.5 million. Expected to finalize contracts before the end of 2016
<b>Innovation in lending to Agriculture Cooperatives:</b> Explore innovative ways to increase lending to Agriculture Cooperatives through offering more relevant loan products such as seasonal loans and negotiating credit guarantee mechanisms which assist in mitigating risk as well as enhancing farmer's access to loans.	SFD	Done. SFD/SEDO had effectively revised its collateral requirements from Cooperatives to include either: Bank Letter of Guarantee, or a letter of guarantee from Board members, or post-dated checks from Board members
<b>Greater engagement with OFIDO Beneficiaries:</b> SFD needs to more actively engage with the beneficiaries of OFIDO and develop loan products of relevance for smallholder farmers. SFD has begun to build some synergies between the financial and enterprise development components and it needs to report on these more explicitly.	SFD	The SFD (through its regional offices) and in coordination with the GPCU in each Governorate had held awareness workshops for beneficiaries on agribusiness activities. While the selection of the activity is a decision of the beneficiary and not enforced by the SFD or GPCU
<b>Identify and Train a Cadre of Local plumbers:</b> SFD should identify a local cadre of young entrepreneurs and provide them technical and enterprise training and access to financial services so that they can provide on-going repair and maintenance support to smallholders with improved irrigation systems.	SFD	This recommendation needs to be coordinated with the GPCU/NPCU; where they can nominate appropriate Local Plumbers and direct them either to the SFD regional office (for Small Enterprises), or SFD contracted CDAs for Micro enterprises

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**Key Recommendations Component 4: Project Management and Coordination**

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<b><u>Agreed action</u></b>	<b><u>Responsibility</u></b>	<b><u>Action Taken</u></b>
<b><u>Activation of the Project Steering Committee:</u></b> <b><u>Activation of the Project Steering Committee:</u></b> Project Steering Committee should be reactivated to provide proper guidance and support to the project with regular meetings at this critical stage of implementation with minutes circulated to all key partners including IFAD.	MALR/MWRI	On-Progress
<b><u>Greater Assignment of time in the field:</u></b> The MALR and MWRI staff assigned to the project need to spend greater time in the field with amore outcome based approach that specifies targets and reports progress._	MALR/MWRI	Done
<b><u>Monitoring and Evaluation:</u></b> Focus more on measuring outcomes and impact in the last few years of the project.	M&E/NPCU/SFD	Done
<b><u>Baseline and Impact Assessment:</u></b> Careful design of the survey instruments to enable a focus on key questions. There is a tendency generally to collect too much information and not analyse the information collected for proper guidance and assessment.	M&E	On Progress

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**Key Recommendations: Financial Management**

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<b><u>Agreed action</u></b>	<b><u>Responsibility</u></b>	<b><u>Agreed date</u></b>
<b><u>Financial Management:</u></b> Arrange for the use of a financial management soft-ware to facilitate proper financing reports._	NPCU	Not yet
<b><u>Procurement:</u></b> Exercise extreme vigilance in procuring the services of the contractor for the Turn-Key operations with proper checks and balances.	NPCU	Done
<b><u>Tender Documents:</u></b> Ensure that the tender documents prepared for contracting of services are of good quality and provide clear specifications._	NPCU	Done
<b><u>Audit:</u></b> Recruit a new CA firm for audit purposes to comply with the requirements to change the External Auditor after three years.	NPCU	On Progress

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

		On-Farm Irrigation Development Project in the Old lands (OFIDO) - M&E - Aug. 2016							
RIMS-Level I , Updating (Project Appraisal "revised" vs "cumulative" till - 30 June 2016)									
Indicators	Unit	Appraisal		Cumulative till 2015 ( 2 )	%	Cumulative till 2016 ( 4 )	%	Ach. 2015-2016	
		Planned estimates	Finally revised (After MTR mission Jan 2015) ( 1 )						
Outreach									
Communities receiving project services	Number	180	180	121	67.22	123	68.33%	2	
Groups receiving project services (Irrigation-related only)	Number	1,684	1,315	831	63.19	1,227	93.31%	396	
Groups receiving project services (Rural finance-related only)	Number	373	373	113	30.29	125	33.51%	12	
Households receiving project services	Number	39,570	39,570	4,939	12.48	8,830	22.31%	3,891	
Individuals receiving project services(men)	Number	158,280	158,280	51,553	32.57	58,295	36.83%	6,742	
Individuals receiving project services(women)	Number	39,570	39,570	9,496	24.00	10,153	25.66%	657	
Individuals receiving project services(men/women)	Number	197,850	197,850	61,049	30.86	68,448	34.60%	7,399	

<b>Irrigation and Water Management</b>								
Groups managing infrastructure formed/strengthened	Number	1,425	1,295	830	64.09	1,226	94.67%	396
Groups managing infrastructure with women in leadership position	Number	285	259	11	4.25	22	8.49%	11
People in groups managing infrastructure formed/strengthened	Number	127,500	127,500	13,430	10.53	20,404	16.00%	6,974
People in groups managing infrastructure formed/strengthened	Male	102,000	102,000	12,316	12.07	18,567	18.20%	6,251
People in groups managing infrastructure formed/strengthened	Female	25,500	25,500	1,114	4.37	1,837	7.20%	723
People trained in infrastructure management	Number	11,871	8,000	3,222	40.28	3,692	46.15%	470
People trained in infrastructure management	Male	9,497	7,200	3,071	42.65	3,528	49.00%	457
People trained in infrastructure management	Female	2,374	800	151	18.88	164	20.50%	13
Natural resources management groups formed/strengthened	Number	259	20	1	5.00	1	5.00%	0
Natural resources management groups with women in leadership position	Number	26	4	0	0.00	0	0.00%	0
People in natural resources management groups formed/strengthened	Number	148,388	20,000	3,450	17.25	3,450	17.25%	0
People in natural resources management groups formed/strengthened	Male	118,710	18,000	3,401	18.89	3,401	18.89%	0
People in natural resources management groups formed/strengthened	Female	29,678	2,000	49	2.45	49	2.45%	0
People trained in natural resources management	Number	31,875	8,000	706	8.83	818	10.23%	112
People trained in natural resources management	Male	25,500	7,200	700	9.72	808	11.22%	108
People trained in natural resources management	Female	6,375	800	6	0.75	10	1.25%	4
Land under irrigation schemes constructed/rehabilitated	Ha	10,715	10,715	2,537	23.68	4,091	38.18%	1,554
Land under irrigation schemes constructed/rehabilitated	Ha	10,715	10,715	40	0.37	40	0.37%	0
Staff of service providers trained	Number	250	250	455	182.00	495	198.00%	40
Staff of service providers trained	Male	200	200	377	188.50	414	207.00%	37
Staff of service providers trained	Female	50	50	78	156.00	81	162.00%	3

<b>Technology Transfer "Agriculture Competitiveness Enhancement"</b>								
Staff of service providers trained(men)	Number	280	280	79	28.21	110	39.29%	31
Staff of service providers trained(women)	Number	70	70	74	105.71	79	112.86%	5
Staff of service providers trained(men/women)	Number	350	350	153	43.71	189	54.00%	36
People trained in crop production practices and technologies(men)	Number	7,914	7,200	820	11.39	857	11.90%	37
People trained in crop production practices and technologies(women)	Number	1,979	800	0	0.00	5	0.63%	5
People trained in crop production practices and technologies(men/women)	Number	9,893	8,000	820	10.25	862	10.78%	42
People trained in livestock production practices and technologies(men)	Number	4,946	5,000	180	3.60	282	5.64%	102
People trained in livestock production practices and technologies(women)	Number	4,946	5,000	2,282	45.64	2,681	53.62%	399
People trained in livestock production practices and technologies(men/women)	Number	9,893	10,000	2,462	24.62	2,963	29.63%	501
People trained in post-production, processing and marketing (men)	Number	6,331	7,200	1,272	17.67	1,566	21.75%	294
People trained in post-production, processing and marketing (women)	Number	1,583	800	13	1.63	22	2.75%	9
People trained in post-production, processing and marketing (men/women)	Number	7,914	8,000	1,285	16.06	1,588	19.85%	303
People accessing advisory services facilitated by project (men)	Number	9,360	9,360	8,274	88.40	9,283	99.18%	1,009
People accessing advisory services facilitated by project (women)	Number	2,340	2,340	1,019	43.55	1,131	48.33%	112
People accessing advisory services facilitated by project (men/women)	Number	11,700	11,700	9,293	79.43	10,414	89.01%	1,121
Marketing groups formed/strengthened	Number	174	174	106	60.92	118	67.82%	12
Marketing groups with women in leadership position	Number	52	52	63	120.69	65	124.52%	2
People in marketing groups formed/strengthened(men)	Number	13,920	35,000	16,468	47.05	17,869	51.05%	1,401
People in marketing groups formed/strengthened(women)	Number	3,480	5,000	2,810	56.20	2,908	58.16%	98
People in marketing groups formed/strengthened(men/women)	Number	17,400	40,000	19,278	48.20	20,777	51.94%	1,499

<b>Micro &amp; Small Enterprises (Direct Lending from SFD to End Beneficiaries)</b>								
Value of gross loan portfolio (SEDO/MSEs)	USD	7,338,479	7,338,479	562,112	7.66	801,818	10.93%	239,706
Enterprises accessing financial services facilitated by the project	Number	1,012	1,012	18	1.78	28	2.77%	10
Enterprises accessing non-financial services facilitated by the project	Number	0	0	10	#DIV/0!	16	#DIV/0!	6
Active borrowers(men)	Number	0	0	8	#DIV/0!	17	#DIV/0!	9
Active borrowers(women)	Number	0	0	10	#DIV/0!	11	#DIV/0!	1
Active borrowers(men/women)	Number	0	0	18	#DIV/0!	28	#DIV/0!	10
People trained in business/entrepreneurship(men)	Number	11,160	8,000	956	11.95	956	11.95%	0
People trained in business/entrepreneurship(women)	Number	2,790	2,000	269	13.45	269	13.45%	0
People trained in business/entrepreneurship(men/women)	Number	13,950	10,000	1,225	12.25	1,225	12.25%	0
<b>Micro Finance Credit</b>								
Value of gross loan portfolio (Microfinance) - CDAs/NGOs	USD	3,636,521	3,636,521	1,466,473	40.33	1,655,589	45.53%	189,116
Active borrowers(men)	Number	0	0	1,036	#DIV/0!	1,178	#DIV/0!	142
Active borrowers(women)	Number	0	0	835	#DIV/0!	1,077	#DIV/0!	242
Active borrowers(men/women)	Number	0	0	1,871	#DIV/0!	2,255	#DIV/0!	384
Financial institutions participating in project	Number	46	46	7	15.22	7	15.22%	0
Staff of financial institutions trained(men)	Number	90	90	0	0.00	24	26.67%	24
Staff of financial institutions trained(women)	Number	22	22	0	0.00	0	0.00%	0
Staff of financial institutions trained(men/women)	Number	112	112	0	0.00	24	21.43%	24

SECOND LEVEL RESULTS		
Component	Results	Rating
<b>Component name</b>		
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
	Likelihood of sustainability of natural resources management groups formed/strengthened	3
Agriculture Competitiveness Enhancement	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; by component and disbursements by category and by component

**Table 5A: Financial performance by financier as of 15 August 2016**

Financier	Appraisal '000)	(USD Actuals (USD '000)	Per cent actuals
IFAD original loan	47000	14039	30%
IFAD additional loan	13000	12	0%
IFAD original grant	1000	197	20%
IFAD additional grant	1000	0	0%
Government original contribution	15343	13233	86%
Government additional contribution	3977	79	2%
Beneficiaries original contribution	8814	512	6%
Beneficiaries additional contribution	2027	0	0%
<b>Total</b>	<b>92159</b>	<b>28072</b>	<b>30%</b>

**Table 5B.1: Financial performance by financier by component as of 15 August 2016 (USD '000) – Original loan and grant**

	IFAD original loan			IFAD original grant			Government contribution original			Beneficiaries contribution original			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Irrigation and water Management	35030	10521	30	82	9	11	6577	5608	85	8814	393	4	50503	16531	33
B. Agriculture Competitiveness Enhancement	0	0	#DIV/0!	598	151	25	3673	419	11				4270	570	13
C. Rural Finance	10975	2708	25	320	36	11	63	0	0				11358	2745	24
D. Project coordination Units	995	810	81	0	0	#DIV/0!	5030	7205	143	0	119	#DIV/0!	6025	8135	13
														5	
<b>Total</b>	<b>47000</b>	<b>14039</b>	<b>30</b>	<b>1000</b>	<b>197</b>	<b>20</b>	<b>15343</b>	<b>13233</b>	<b>86</b>	<b>8814</b>	<b>512</b>	<b>6</b>	<b>72156</b>	<b>27981</b>	<b>39</b>

**Table 5B.2: Financial performance by financier by component as of 15 August 2016 (USD '000) – Additional loan and grant**

	IFAD additional loan			IFAD additional grant			Government contribution additional			Beneficiaries contribution additional			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Irrigation and water Management	12816	4 0		916	0 0		3344	46 1		2027	0 0		19103	50 0	
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	8 4		84	0 0		634	51 8		0	0 #DIV/0!		901	59 7	
Total	13000	12 0		1000	0 0		3978	97 2		2027	0 0		20004	109 1	

**Table 5B.3: Financial performance by financier by component as of 15 August 2016 (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	10525 22		998	9 1		9921	5654 57		10841	393 4		69606	16581 24	
B. Agriculture Competitiveness Enhancement	0	0 #DIV/0		598	151 25		3673	419 11		0	0 #DIV/0		4270	570 13	
C. Rural Finance	10975	2708 25		320	36 11		63	0 0		0	0 #DIV/0		11358	2745 24	
D. Project coordination Units	1179	818 69		84	0 0		5664	7256 128		0	197 #DIV/0		6926	8194 118	
Total	60000	14051 23		2000	197 10		19321	13330 69		10841	512 5		92160	28090 30	

**Table 5C.1: IFAD original loan disbursements SDR, as at 15 August 2016**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Works	19740000	22404000	6678069		15725931	29.81
II	Means of transportation, equipment and materials	670000	670000	532073		137927	79.41
III	National TA/ Consulting Services	0	296000	118178		177822	39.93
V	Revolving fund	6230000	6230000	1585342		4644658	25.45
VI	Unallocated	296000	0	0		0	
	Initial deposit – PMU			1301456		-1301456	0
	Initial deposit - SFD			979445		-979445	0

Total	2960000	2960000	11194563	11194563	37.82
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**Table 5C.2: IFAD original grant disbursements SDR, as at 15 August 2016**

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	96.88

**Table 5C.3: IFAD additional loan disbursements SDR, as at 15 August 2016**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Works	8300000	8300000			8300000	0
II	Means of transportation, equipment and materials	150000	150000			150000	0
	Initial deposit – PMU			723793		-723793	0
Total		8450000	8450000	723793		7726207	8.57

**Table 5C.4: IFAD additional grant disbursements SDR, as at 15 August 2016**

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

**Table 5D.1: Financial performance by financier by component (USD '000) Budget vs Actual for Financial Year 2015/2016 - Original financing**

Component	IFAD original loan			IFAD original Grant			Government original contribution			Beneficiaries original contribution			Total		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
A. Irrigation and Water Management	29509	3661	12%	160	0	0%	1755	2069	118%	2635	0	0%	34059	5730	17%
B. Agriculture Competitiveness Enhancement	0	0	0%	381	65	17%	0	0	0%	0	0	0%	381	65	17%
C. Rural Finance	2217	994	45%	101	0	0%	0	0	0%	0	0	0%	2319	994	43%
D. Project Coordination Units	308	-4	-1%	215	0	0%	804	225	28%	0	0	0%	1326	221	17%
<b>Total</b>	<b>32034</b>	<b>4651</b>	<b>15%</b>	<b>856</b>	<b>65</b>	<b>8%</b>	<b>2559</b>	<b>2294</b>	<b>90%</b>	<b>2635</b>	<b>0</b>	<b>0%</b>	<b>38084</b>	<b>7010</b>	<b>18%</b>

**Table 5D.2: Financial performance by financier by component (USD '000) Budget vs Actual for Financial Year 2015/2016 – Additional financing**

Component	IFAD additional Loan			IFAD additional Grant			Government additional contribution			Beneficiaries additional Contribution			Total		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
A. Irrigation and Water Management	11046	4	0%	181	0	0%	286	46	16%	944	0	0%	12457	50	0%
B. Agriculture Competitiveness Enhancement	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
C. Rural Finance	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
D. Project Coordination Units	732	0	0%	0	0	0%	557	0	0%	0	0	0%	1289	0	0%
<b>Total</b>	<b>11778</b>	<b>4</b>	<b>0%</b>	<b>181</b>	<b>0</b>	<b>0%</b>	<b>843</b>	<b>46</b>	<b>5%</b>	<b>944</b>	<b>0</b>	<b>0%</b>	<b>13746</b>	<b>50</b>	<b>0%</b>

**Table 5D.3: Financial performance by financier by component (USD '000) Budget vs Actual for Financial Year 2016/2017 – Original financing**

Component	IFAD original Loan			IFAD original Grant			Government original contribution			Beneficiaries original contribution			Total		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
A. Irrigation and water Management	11433	525	5%	230	0	0%	661	0	0%	647	0	0%	12971	525	4%
B. Agriculture Competitiveness Enhancement	0	0	0%	319	24	8%	0	0	0%	0	0	0%	319	24	8%
C. Rural Finance	3324	228	7%	42	2	4%	0	0	0%	0	0	0%	3365	230	7%
D. Project Coordination Units	323	13	4%	179		0%	662	0	0%	0	0	0%	1163	13	1%
Total	15080	766	5%	770	26	3%	1323	0	0%	647	0	0%	17819	791	4%

**Table 5D.4: Financial performance by financier by component (USD '000) Budget vs Actual for Financial Year 2016/2017 – Additional financing**

Component	IFAD additional Loan			IFAD additional Grant			Government additional contribution			Beneficiaries additional Contribution			Total		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
A. Irrigation and water Management	4762	0	0%	116	0	0%	250	0	0%	340	0	0%	5469	0	0%
B. Agriculture Competitiveness Enhancement	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
C. Rural Finance	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
D. Project Coordination Units	67	8	12%	0	0	0%	366	0	0%	0	0	0%	434	8	2%
Total	4829	8	0%	116	0	0%	616	0	0%	340	0	0%	5902	8	0%

## Appendix 6: Compliance with financing agreement covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Section B. Para 6</b>	Project to open two Project Accounts, one for the Loan and one for the Grant for Project operations for the benefit of the Lead Project Agency; and another for a Project Account for the Loan for Project operations for the benefit of the Social Fund for Development (SFD) (hereinafter referred to collectively as "Project Accounts"). The Project Accounts shall be opened in a bank proposed by the Borrower and acceptable to the Fund.	As soon as possible	Complied with	
	A consolidated Annual Work Plans and Budgets for the loan and grant, with procurement plan, to be submitted for its review and comments.	No later than 60 days before beginning of each Fiscal Year	Complied with	The NPCU submitted an AWPB for the FY 2016-2017, but the procurement plan needs to be updated
<b>Section B. Para 7</b>	The Borrower shall make adequate budgetary allocations for the Project in accordance with AWP&B.	Annually	Complied with	The Government has maintained its trend of contributing timely and generously to support project operations.
<b>Section E. Para 1(a)</b>	A Framework for Collaboration Agreement between the National Project Coordination Unit and the Project Parties to be finalized, in accordance with Schedule 1 paragraph 7 prior to any request for withdrawal.	January 2011	Complied with	
<b>Section E. Para 1(b)</b>	A Subsidiary Loan Agreement to be finalized between the Borrower and SFD in accordance with Schedule 1 paragraph 11.3 before any disbursement under Category V (Revolving Fund) in what regards the financing of Component 3 (Rural Enterprise and Microfinance Development) of the Project may be requested.	October 2010	Complied with	
<b>Schedule 1, Para 8</b>	A small Project Coordination Unit at Governorate level (GPCU) to be established in each governorate. Each GPCU shall be located in the Governorate Directorate of Agriculture and shall report to the NPCU.	Jan – Feb 2011	Partial	Frequent meetings of the GPCU need to be organised.
<b>Schedule 1, Para9</b>	A mid-term review to be jointly carried out by MALR, MOPIC and the Fund no later than the end of the Project's fourth year.	April 2014	Complied with	January 2015

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Schedule 1, para10</b>	A draft Project Implementation Manual to be prepared by the NPCU and submitted for approval to MALR. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund.	December 2010	Partial Compliance	Revision and update of the PIM is not done.
	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 2.		Complied with	
	Progress Reports to be submitted to IFAD on annual basis.	No later than 2 months after the end of each year	Complied with	The quality of project progress reporting requires improvement.
	Submission of Financial Statements.	Within 4 months after the end of each fiscal year	Partial compliance	Basic progress report
	Audit Reports on project accounts of each year to be submitted to the Fund. Furthermore NPCU, though, SFD shall submit to the Fund the reply to the management letter of the auditors.	Within 6 months after the end of each fiscal year. And within one month the reply to management letter of the auditors	Partially complied with	Draft of the audit report for the fiscal year 2014/2015 received on December 28, 2014. IA new Auditor will be hired soon

## **Appendix 7: Knowledge management: Learning and Innovation**

### **Learning**

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#### **What has worked particularly well in this project during this period? What have been the reasons for this?**

The project implementation process has experienced various modes and methodologies under various natural, technical and social conditions from which worthy lessons are already beginning to emerge. The NPCU tried to reduce the unit cost of the equipment and materials being used by trying to create workshops which produced the pipes and hydrants in Government workshops and then use the force account to get contractors to use this equipment and materials. This experiment was not entirely successful as it led to poor quality control in the manufacture of the equipment. It was therefore decided that OFIDO would not use Government workshops to manufacture the materials but use the private contractors to procure them competitively from the market where a wide selection was available. An important lesson from this experimentation was that one should not try and reinvent the wheel. The NPCU also experimented with trying to train small contractors and engage them in the project where it felt the private sector was weak. However, the Project has demonstrated that there was no need for the NPCU to do this as there is sufficient private capacity in the country. Under the Project, it has been decided to invite the existing contractors rather than trying to train new ones for construction of the civil works. Therefore, for the first time, the MALR has recruited middle tier and small contractors to implement the improvements in the irrigation system. This is likely to reduce the overall costs of improvement and help develop a range of local contractors and service providers in the target Governorates. This experiment has been doing well. In Upper Egypt the work is being undertaken by private contractors with some work having been contracted out in a single contract from the sub-branch canal to the Marwa level as has been done in Sohag. Another modality which is now being considered is that of a Turn-Key approach for implementation of the Project along three branch canals in Luxor. This is expected to bring further innovation, cost effectiveness and a design that is appropriate to local conditions.

The Project is also trying to re-establish water user associations at various levels. While the establishment of such associations has been tried before, the process has been somewhat top down. The project plans to establish water committees at the Marwa level and embed them in the cooperative structures at the village level and then, build them as representative models at the mesqa and branch canal level with MWRI support. This process is at an early stage and no specific conclusions can be drawn at the moment.

#### **Learning: What has not worked so well? What have been the reasons?**

There is urgent need to ensure the organization and strengthening of the water associations and ensuring their participation in all stages of design, implementation and operation and maintenance as envisaged in design. There is also need for the MWRI and MALR to institute a proper system of redress for farmer complaints, better explanation of the responsibility of each partner in the field, preparation of guidelines for pump operation and maintenance, proper planning and implementation of the training activities for farmers, inclusion of different training modalities, strengthening market facilitation support and strong commitment by the Social Fund for Development to serve the Project Governorates in order for the Project to achieve its overall objectives. With improved coordination between the MWRI and MALR the mission is confident that OFIDO can achieve its objective

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**Innovation: Describe any interesting innovation noted during supervision**

The main consideration of GOE and IFAD in the design of OFIDO is the replication and scaling-up of a model of on-farm irrigation improvement which is efficient in conveying water to the farmer's fields, saves costs and time of irrigation and increases the reliability of the system. OFIDO is expected to develop a reliable, cost-effective and efficient system which the farmers own, operate and maintain.

The Project has begun to raise some critical policy issues with respect to the approach for the development and modernization of the irrigation infrastructure in the old lands. These issues revolve around the institutional infrastructure of the irrigation sector, the ideal balance between the role of the public and private sector in irrigation development, the roles and responsibilities of the water user associations, the technical specifications which will ensure technical and economic feasibility of the irrigation system and the best approach to adopt in the modernization of the system. OFIDO is already helping to answer some of these critical questions and can help to guide policy in the modernization of the irrigation sector in the country.

## ANNEX 1: Irrigation and Water Management

1. **Objective:** The specific objective of the OFIDO's 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 a 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. The component is the largest component of the project in terms of resources allocated (65%). It encompasses two sub-components: (i) Rehabilitation and Development of On-farm Irrigation Systems which is mainly of hardware modernization type<sup>9</sup>; 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 fully operation and maintenance responsibilities.

2. Overall Implementation Progress. Planned works in Lower Egypt have now been completed over an area of 9,244 feddans, and are under production with more efficient and reliable irrigation system. The mission noted however mixed quality between areas developed through force account construction modality and through small private contractors. In contrary in Upper Egypt delays are of major concerns. Yet, while the construction, supply and installation process for the planned off-farm infrastructure (electricity supply grids, branch canals refection, intakes and pump houses construction), are well advanced, the on-farm improvement, in contrary, consisting of replacing existing irrigation earth channels by buried pipelines, is facing in most cases delays, outside the control of the NPCU, due to the search of limited disturbance of the need of irrigation until crop is harvested, and to the unexpected resistance to project reforms from local influential individuals with vested interests.

3. Mission's discussions with contractors, technical control and supervision engineers, farmer leaders, and intense field visits show that prospects for tangible achievements are promising once farmers will see on the ground the benefits of project's improvements. The agreement reached with the Irrigation Improvement Sector (IIS) of the MWRI, regarding the involvement of his engineers in the supervision and control and in the establishment of WUAs would allow the Project to reach an acceptable rate of achievement. The mission is therefore of the opinion that the overall progress in component's activities implementation performance is moderately satisfactory.

### **Sub-component 1.1: Rehabilitation and on-farm irrigation development. (Overall implementation performance moderately satisfactory)**

4. Progress in Lower Egypt. Project activities that started in Lower Egypt where interventions concern only the improvement of quaternary on-farm channels (marwas) by installing buried low pressure PVC pipes connected to the existing off-farm mesqa pipelines and pumping stations that have been already established by the MWRI III-MP Project financed by the World Bank. OFIDO was the first project to pioneer at medium scale this type of improvement, considered "simple" during the project design and that could be performed by local public entities through force account construction modalities. At the MTR review an area of about 4,500 feddans was developed under this model, and difficulties started to appear mainly at the alfa-alfa valve and hydrant levels (lack of adequate pressure head, leakages, difficulties to operate) manufactured in a Government workshop. Knowing that initially no provision was considered in the Project design to, if necessary, adapt the pumping equipment to ensure adequate water head distribution, the MTR mission recommended to stop the use of force

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9 Replace large number of uncontrolled existing individual privately owned lifting micro-small pumps located at multiple points along the mesqa (tertiary canals) by a single collective electric pumping station (single point lifting) commanding an area of about 40 to 60 fed (16 to 24 ha).and replacing earth open channel mesqa and marwa by a low-pressure buried pipeline system delivering water to farm plots through hydrants.

account as a mode of procurement. It recommended also to limit the target area in Lower Egypt to what has been already executed by force account and only achieve the area already committed to small contractors with a new improved model of hydrant in sites where sufficient water head is assured. Hence the project developed an area of 4,744 feddans with the new model of procurement and new type of hydrant. The total area improved in Lower Egypt is about 9,244 feddans.

5. During its field visit the mission noticed that farmers in the recently developed areas by small private contractors with the new model of hydrants are globally satisfied and that other on-going projects have shaped their model on previous OFIDO experience and are expanding the marwas improvement over a large area. The mission visited also farmers that benefited from the initial OFIDO interventions through force account and learned that most of them are nearby newly developed areas and witnessed the differences. They feel some kind of lack of fairness and have strongly expressed their disappointment with the performance of the initially manufactured hydrant model. They urged the project to remedy as soon as possible and replace the initial type of hydrants, used in 2012, by the new ones where it is necessary. The mission recommends therefore that a rapid satisfaction survey be conducted at the level of all the 253 mesqa improved by the project and identify the type and the scope of the remedies that would be required to enhance the performance of the existing system.

6. Progress in Upper Egypt. In the three selected areas in Qena, Assiut and Sohag Governorates, over a command area of 15,350 feddans, the project has somehow hastily performed the elaboration of all the detail designs, tendering and contracts awarded for works construction and equipment purchase and installation to catch up with delays. In the framework of resources reallocation proposal during the MTR, an additional 3,000 feddans (Qena II)<sup>10</sup> have been added to be developed in the newly created Luxor Governorate which was part of Qena. The procurement mode adopted is an innovative one based on Design and Build mode (Turn-Key).

7. As mentioned above, the setback in reaching an agreement for the collaboration between MWRI and MARL has played a major role in the delay of implementation of work by contractors in Upper Egypt. Despite project management efforts, the physical achievement is still behind scheduled. As presented in Table 1 below, only about 2 468 feddans (13%) have been improved and are being transferred to 25 informal ad-hoc group of farmers, led by a farmer leader designated by his peers, and that would form the basis of a water user association.

8. The quality assurance of civil works and equipment, that is of major concern for project management and farmers is guaranteed by an independent consulting firm commissioned by the Project as a Technical Supervisor to monitor and check the day to day quality control and quantity measurement of the works carried out. Beside the consulting firm, engineers from IIS/MWRI and AENRI/MARL participate in the monitoring of the compliance of the construction works with the detail design and in providing assistance with regard to any on-site adaptation of the design. During field visits and meetings with the contractors and Technical Supervisor representatives, the mission found that the most two major weakest aspects from both sides (contractor and supervisor) are: (i) the monitoring and control of the accuracy of surveys conducted to materialize on the site the alignment of the structure on the basis of detail drawing, and (ii) the inspection and approval of the materials at site as per specifications before they are used in the works particularly the material used for the confection of the concrete. In addition, the mission recommends that the Technical Supervisor advise OFIDO field engineer with regards to extra claims or disputes/ arbitration cases between OFIDO and the Contractor, if any, and assist in case of any dispute till the cases are resolved preferably by mutual agreement. Some of these disputes have been solved during mission's occurrence.

9. The Project at its start launched awareness and sensitization process that consisted of seeking first through a demand driven participatory approach farmers' agreement to assemble, on social cohesion basis and end up with a signed agreement, a group of 4 to 6 existing diesel

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10 The 3,000 feddans replace the remaining project target area in Lower Egypt that was shifted to Upper Egypt as per MTR recommendation.

private old pumps to be replaced by the use of a single-point pumping station that withdraw directly water from the branch canals<sup>11</sup> that would be managed collectively. Due to delays in implementation and the interference of landlords of vested interests to influence back the agreed arrangements, most farmer commitments have been revoked. Of the 280 farmer group agreements for mesqa improvement reached during the awareness campaign only about 164 mesqa (77%) covering an area of about 8,000 feddans have firmly confirmed their continuous interest to partnership with the project. The Project management is expecting to increase the number of agreed farmers before project completion, and assured the mission that the dialogue with farmers is still underway and alternative sites are being considered.

**Table 1: Implementation Progress in Upper Egypt**

Governorate	Total area (feds) Detail design	Intake and pump-house (civil works) (Stage I)			Electricity Grid (%)	Pumping equipment and Mesqa/marwa improvement (Stage II)		
		Nbr	Achieved	%		Contracts signed & Pumping Station (Nbr)	Achieved/on-going (Nbr)	Area (feddans)
Qena	4,379	80	79	100%	72%	5 (79)	10	600
Assiut	4,200	94	33	35%	96%	2 (23)	3	200
Sohag	6,771	106	52	50%	52%	7 (102) <sup>12</sup>	25	1668
Sub-total	15,350	280	164					2 468
Qena II	3, 000	54	5	10%	0% <sup>13</sup>	1(54)	0	0
TOTAL	18 350	334	170	51%		13 (258)	38	2468

10. Qena and Assiut: The Project adopted in these two Governorates a procurement mode that intends to procure the construction of civil works related to the intake and pump-house separate from the purchase and installation of the equipment of the pumping station, and the PVC pipelines (on-farm irrigation network modernization). In Qena no refusal from farmers has been registered and the construction works are progressing well. Almost all the designed 80 intakes have been achieved and 5 contractors are installing the pumping equipment and the pipelines for marwas improvement. In contrary in Assiut the project has so far reached 33 firm agreements for the construction of intakes of the designed 94 initially planned and for which contracts have been awarded. The project did not succeed in convincing some influential landlords of vested interests that have control on about 46 designed intakes to sign the agreement and also in getting the necessary authorizations from the MWRI for 15 designed pump houses located on public land along branch canals. The Project Coordinator informed the mission that he is expecting to get agreements from farmers for an additional 14 sites and new sites are being identified. As soon as the expected agreements with farmers and the alternative site intakes proposed by IIS/MWRI approved, the Project will proceed with tendering the pumping equipment and marwa improvement. Bidding documents are ready for this purpose and will be finalized soon and submitted to IFAD for non-objection. Giving the limited time until the completion date of the project, the mission discussed with the NPCU the need to expedite the tendering through the adoption of pre-qualification process and come up with a short list of qualified contractors.

11. With regard 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 station are progressing smoothly as soon as the pumping equipment is installed and electricity supply

11 Includes: (i) the intake structure from a sub-branch canal, the single electric pumping station getting power from a new electricity grid financed by the project, and (ii) modernization of marwas by replacement of existing earth marwas with buried low pressure PVC pipeline network equipped with valves and hydrants over an average area of 50 feddans

12 One contract will be cancelled related to Waneena branch canal in Qena (850 feddans) because farmers finally refused the project and a new area will be selected

13 Contract is being prepared with Luxor Electricity Company

contract issued under the name of a farmer leader designated by farmers and the electric consumption meter installed with pre-paid cards payment system.

12. In Sohag, the project adopted a procurement mode that includes in one bidding document the whole package for the construction of the intake and pump house and the installation of pumping equipment and improvement of the on-farm marwas. Seven contracts related to seven branch canals have been awarded to three contractors and works have started early 2015 but with slow progress. Of the total 102 pumping stations of the seven contracts only works are being on progress in 52 sites of which about 25 have been completed. The reason according to project management is due to 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 is somehow critical in the sense that the plan of work of the Electricity Company did not match the progress with the pumping station equipment progress. The result is that the 52 equipped or ready to be equipped pumping stations, are waiting for electricity connection to undertake the necessary tests for contracts closure and transfer to the WUAs for operation and maintenance.

13. Qena II (Luxor): The mission visited the area where the experience of a "Turn Key" model of procurement is being used under which the contractor is taking the whole responsibility of the detail design and the construction of works as well as the supply and installation of pumping equipment and mesqa/marwa improvement. The mission was pleased to find a highly professional contractor and design company. Farmers met by the mission are satisfied by the participatory approach and their involvement in the decisions regarding the location of hydrants. They are well aware about the objective of the project but are still not clear about the future operation and maintenance organization.

14. Menya and Beni Suef: On-farm irrigation improvement in the areas selected in these two Governorates will be financed by the Supplementary Financing (OFIDO 2). It concerns a command area of 7,000 feddans scattered over four sub-branch canal targeting the improvement of 35 mesqa in Menya and 25 in Beni Suef. The mission could not visit the area because of lack of time, but met with concerned engineers from MWRI and MARL during the workshop organized in Qena. The mission was informed that the detail design studies and bidding documents have been completed, financed by local funds, and are being reviewed by IIS/MWRI. They will be further submitted to IFAD for non-objection before end 2016.

15. Additional improvements: During the last supervision mission farmer concerns were raised about the reliance of the new system on electricity and noted the demand for the installation of a supplementary spare diesel pump in many of the locations visited due to the frequent power cuts. The mission re-discussed the issue with Directors of electrical companies in Assiut and Qena and was assured that the new policy of electrification development in the Governorates will limit such risks of power cuts. Even when it would happen the duration would not exceed few hours which will not harm crops. The mission considers that this issue should be considered later on, if sufficient funds will be available and a cost-sharing mechanism agreed upon.

#### **Sub-component 1.2: Institutional Development and Capacity Building. (Overall implementation performance moderately satisfactory)**

16. Activities to be developed through this sub-component were mainly designed to provide technical assistance and support for initial community awareness and social mobilization programmes, formation and establishment of the water users organizations and training of key members relating to systems operation, maintenance and management as well as training of farmers in on-farm water management techniques, and improved irrigated agriculture practices. Indeed, the Project is making an important change in the organization and management of the irrigation system from one where each farmer work independently by simply pumping irrigation water from the open mesqa or directly from a branch canal using a pump that the farmer either owns himself or hires when he wants to irrigate, to one that expect farmers to work collectively using water pumped from a single point at the branch canal and managed by an established

WUAs that will schedule irrigation flows among different farmers. This requires putting in place strong farmer institutions with clear roles and responsibilities and strengthening of farmer capacity to operate and maintain the system.

17. Progress in the establishing of Mesqa/Marwa WUAs. In Lower Egypt the Project introduced the establishment of Marwa Committees (MCs), at grass roots level, of 5 to 10 farmers connected to an individual marwa and using the same butterfly valve abstracting water from the main pipeline. MCs will delegate three members to be part of the WUAs of the mesqa/pumping station that have been legally established by the MWRI Projects on the basis of the Water Law N°213 of 1994. Linkages between the WUA and MCs at a mesqa level are not yet clear to the farmers. The Project has established about 1,078 MCs over the 9,244 feddans improved and organized training sessions mainly on how to operate the hydrants and to plan irrigation scheduling and distribution rotation. During the period under review, the project has elaborated a robust program of activities aiming at executing 276 seminars, 62 training programs and 144 meetings with the objective of formation of additional 240 Marwas Committees in Lower Egypt to be linked to existing Mesqa/WUAs.

18. In Upper Egypt, the project has established, at its start, in each Governorate, a team of 3 persons composed by out-posted part-time staff from the Extension Department of MARL and the IAS of MWRI. Under the new agreement signed with NPCU, the Irrigation Improvement Sector (IIS) through its Irrigation Advisory Service (IAS) is also responsible for formation of mesqa WUAs in Upper Egypt. In addition, the formation and training of branch canal WUAs is the responsibility of the Central Directorate of Irrigation Advisory Services (CDIAS) of the MWRI.

19. Due to difficulties in establishing a stable and operative cooperation between MWRI and MARL the outcome is limited in terms of effective number of WUAs established. With the recent revival of the Agreement and the new mode of disbursement of the grant funds, the NPCU has agreed on a new plan of work with IIS Office in Esna, in charge of Sohag, Qena and Luxor and with IIS Office in Menya for interventions in Assiut, Menya and Beni Suef. Proposals have been submitted to NPCU and the execution would start soon for the establishment of WUAs. The mission advised that priority should be given to the mesqa/Pumping stations which have been completed and are being operated by farmers in Assiut, Sohag and Qena, perpetuating somehow the old mode of organization.

20. Formation of WUAs at Branch and sub-branch Canal levels (BCWUA): 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. This in order to avoid top-down decision making, and leave the search for federation of all WUAs concerned by a Sub-Branch when the works are completed. During mission's visit at Arab Moteer sub-branch canal in Assiut, where nine pumping stations are being constructed, farmers expressed indeed their interest to be federated into Sub-branch canal WUAs to better plan the operation and maintenance of the branch canal in collaboration with the MWRI authorities and give the opportunity to water users the voice their concerns, particularly the tail-enders. The mission advised that a first step should focus on the upgrading of the sub-branch to ensure a continuity in the process of rehabilitation. The Under-secretary of MWRI in Assiut assured the mission that a proposal will be submitted to the NPCU for both actions physical (upgrading of the branch canal and institutional (establishment of WUAs).

21. With regard to the BCWUA that has been established in Qena covering the whole command area of the El Ganabia canal prior to project interventions by MWRI, the mission was informed that the association is not active because of lack of capacity building and training, and resources. The mission is of the opinion that this was a top-down process without linkage with grass root water users that could be revived once all the WUAs at mesqa level, in the command area, have been established.

## ANNEX 2: Rural Enterprise and Microfinance Development

1. Objective: This component is designed to provide necessary finance, capacity building and business advisory services for on and off farm micro and small enterprises to the rural households in Project villages. It is designed to promote agricultural development, small on-farm and off-farm enterprise development, farmers marketing associations and income generating activities to provide employment and improve the socio-economic conditions of the target group. The component consists of: (i) rural finance through demand driven lending; and (ii) strengthening financial intermediaries (CDAs, NGOs), and (iii) support to Marketing Associations and MSEs.

2. Implementation approach: This component is executed by the SFD using its standard operating procedures and existing outreach mechanisms; in specific terms, the SFD micro-loans for income generating activities are extended to the targeted small holders by Community Development Associations (CDAs) located in the targeted villages, while small enterprises loans are extended by SFD's Small Enterprise Development Organisation (SEDO), either directly to enterprises or through cooperatives which in turn serve as financial intermediaries. In addition to access to loans, provision is made for the capacity building of financial intermediaries such as CDAs and NGOs. The administration of financial services under OFIDO is governed by a Subsidiary Financing Agreement which was signed by MOPIC and SFD, following IFAD clearance, in October 2010. Subsequently, the protocol for collaboration between the NPCU and SFD was signed, and the baseline survey of CDAs and agricultural organizations in the Project areas was completed covering 44 villages, 167 CDAs and 73 agricultural organizations.

3. Implementation progress: As of August 2016, the SFD has directly extended 39 loans to small enterprises amounting to L.E. 9.02; representing over 55% of the planned direct disbursement by SEDO. In addition to direct lending, SEDO had extended a loan agreement to an agricultural cooperative association in Qena of a total amount of LE 5 million. The cooperative, acting as an intermediary had on-lent the whole loan amount received from the SFD. The small enterprise loans are being used for dairy processing, trade in fertilizers and seeds, sorting and packaging of rice and other agricultural products. All loans extended by the cooperative were utilized to acquire trucks and agricultural equipment to assist sugar cane farmers in their businesses and remarkably improving their earning capacity; manifested in zero delinquency in repaying their instalments to the cooperative. The Central Microfinance Sector (MFCS) has issued loan contracts to seven CDAs with a total amount of L.E. 6.59 million out of which L.E. 6.1 million are already disbursed to the CDAs and made available to their ultimate borrowers. CDAs were in-turn able to disburse a cumulative loan amount of L.E. 13.22 million to their end borrowers. The following table provides a summary of disbursement to-date.

**Table 1. Amounts Disbursed and Contracted from revolving Fund (August 2016)**

1. SFD Responsible Department	No. of loans (L.E)	Amount contracted	Amount transferred to CDAs/ Intermediaries (L.E)	No of Loans	Amount on-lent to end Borrowers
2. Microfinance Central Sector (MFCS)	7	6,592,100	6,100,000	2,278	13,225, 750
3. Small Enterprise Development Organization (SEDO)	39	9,020,788			9,020,788
4. Small Enterprise Development Organization (SEDO) to Cooperatives	1	5,000,000	5,000,000	42	5. Loans extended from L.E. 100,001 to L.E. 300,000 all to Agric. Equipment

4. With regards to Small Enterprises and as illustrated in the table above, the SFD/SEDO had disbursed a total of L.E. 13 million by the end of August 2016. From this amount, 39 loans were directly provided to small enterprises (out of which 13 loans are provided to women entrepreneurs at a rate of 33%); and one loan to an agriculture cooperative in Qena. Lending to the agriculture cooperative in Qena is a new initiative by SFD; the Cooperative received a loan of LE 5 million over 5

years which had been fully disbursed to 42 individuals (out of which 1 loan is provided to women entrepreneur). Loans to the Qena Cooperative borrowers ranged from L.E. 100,001 to a maximum of LE 300,000 L.E. to acquire machinery and trucks used by farmers and repayments are all made on time with zero delinquency. The geographic distribution of the small enterprise loan is shown in the table below.

**Table 2: Geographic Distribution of Small Enterprise Loans up to (August 2015)**

Governorate	Amount	(%)
Behiera	1,678,758	18.6%
Kafr El Sheikh	2,765,686	30.6%
Assiut	3,378,533	37.5%
Sohag	606,748	6.7%
Qena	591,063	6.6%
Total	5,465,838	100%

5. With regards to Microfinance and as of August 2016, loan contracts worth L.E. 6.6 million have been issued to 7 CDAs. Due to the revolving nature of microloans, CDAs were in-turn able to disburse a cumulative loan amount of L.E. 13.2 million to their end borrowers. CDAs have extended 2,278 loans for a range of activities described as commercial, service, industrial, crop and livestock production. From among these loans, 48% of were given to women in 1,092 loans. Overall, it is reported that the loans helped in creating 2,204 jobs. It should be noted here that the Microfinance Central Sector of the SFD has effectively responded to the last supervision mission recommendation and accordingly had exerted a remarkable effort in assisting CDAs to comply with the regulator's requirements and obtain the license as Microfinance institutions. This has enabled the Microfinance Central Sector (MFCS) at SFD to resume its activities since CDAs are now licensed and became legitimate for receiving funds from the SFD. Finally, licensing those CDAs will not only contribute in funneling the OFIDO funds to them, but will contribute to their institutional sustainability and allow them to access funds from any other source to expand their portfolios and continue providing access to capital to their clientele. It should also be noted here that the MFCS had effectively responded to the last supervision mission recommendation by re-instituting the loan tenor extension for CDAs to be five years instead of the three years previously reported. A breakdown of the loans by sector is given in the table below.

**Table 3: Micro-loans under OFIDO (Up to August 2016)**

Sector	Amount (L.E.)	(%)	Number of Loans
Free Occupation	5,000	0.05%	1
Commercial	6,752,300	48.33%	1,101
Service	1,287,500	8.91%	203
Livestock/Crop Production	4,775,950	39.9%	909
Industrial	405,000	2.81%	64
Total	13,225,750	100%	2,278

6. The mission would like to note here that despite the slow rate of disbursement of funds, the SFD had been consistently focusing on the proper targeting of loans to reach the intended beneficiaries. In terms of geographical targeting, all loans are 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. In this regards and specifically for the Qena Cooperative loan, all individual loans (42 loans) had been directed towards small holders to purchase trucks and machinery related to their farms producing sugar cane. The loans enabled those farmers to break the cycle of exploitation that they suffered from previously by truck and machinery owners who used to rent them the required equipment for a very high price. In addition to utilizing the machinery and trucks for their own farms, farmers were able to make additional revenue from renting the trucks for transportation of horticulture crops for other farms and each truck is reported to have created one permanent job (for the truck driver) and around two temporary jobs for their assistants. As reported by some of the borrowers, the loans extended by the cooperatives had helped in boosting the economic vibrancy of the whole village as the villages are now known for facilitating crops' transportation with reasonable prices.