



Investing in rural people

Arab Republic of Egypt

Promotion of Rural Incomes through Market Enhancement Project

Supervision report

Main report and appendices

Mission Dates: 12 – 24 November 2016
Document Date: 23-Nov 2016
Project No. 1571
Report No: 4335-EG

Contents

Abbreviations and acronyms	ii
A. Introduction	1
B. Overall assessment of project implementation	1
C. Outputs and outcomes	2
D. Project implementation progress	9
E. Fiduciary aspects	12
F. Sustainability	17
G. Impact	18
H. Conclusion	18

Appendices

Appendix 1: Summary of project status and ratings	19
Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs	23
Appendix 3: Summary of key actions to be taken within agreed timeframes	29
Appendix 4: Physical progress measured against AWP&B, including RIMS indicators	33
Appendix 5: Financial: Actual financial performance by financier, component and category	37
Appendix 6: Compliance with legal covenants: Status of implementation	39
Appendix 7: Knowledge management: Learning and Innovation	41

Abbreviations and acronyms

ADP	Agricultural Development Programme (formerly ARDF)
ARC	Agricultural Research Center
ARDF	Agricultural Research and Development Fund
AWPB	Annual Work Plan and Budget
BOT	Board of Trustees
CBE	Central Bank of Egypt
CDA	Community Development Association
CIB	Commercial International Bank
EAB	Egyptian Agricultural Bank
EFSA	Egyptian Financial Supervisory Authority
FM	Financial Management
FMA	Farmer Marketing Association
FSRU	Farming Systems Research Unit
GOE	Government of Egypt
GPCU	Governorate Project Coordination Unit
IFAD	International Fund for Agricultural Development
LAC	Loan Approval Committee
M&E	Monitoring and Evaluation
MALR	Ministry for Agriculture and Land Reclamation
MF	Microfinance
MFI	Microfinance Institution
MIS	Management Information System
MOIC	Ministry of International Cooperation
NBE	National Bank of Egypt
NPCU	National Project Coordination Unit
PBDAC	Principal Bank for Development and Agriculture Credit
PFI	Participating Financial Institution
PRIME	Promotion of Rural Incomes through Market Enhancement
RIMS	Results and Impact Management System
SEDO	Small Enterprise Development Unit of SFD
SFD	Social Fund for Development
SLA	Subsidiary Loan Agreement
SME	Small and Medium Enterprise
UERDP	Upper Egypt Rural Development Project
WA	Withdrawal Application

A. Introduction¹

1. An IFAD mission visited Egypt from 12 to 24 November 2016 to conduct the annual supervision of the Promotion of Rural Incomes through Market Enhancement (PRIME) project. The main objective of the mission was to assess the progress made since the last supervision mission conducted in November 2015 and the Technical Support mission conducted in March 2016, with a view to assess whether the status of the PRIME as “problematic” project was justified. This status came because of the comparatively low disbursement and implementation rate of PRIME, in particular of the rural finance component, which constitutes the most important component and the main sector of investment under PRIME.
2. Meetings were held with staff of the Ministry for Agriculture and Land Reclamation (MALR), the Ministry of International Cooperation (MIC), the Social Fund for Development (SFD), the Agricultural Development Programme (ADP) under the MALR, the National Project Coordination Unit (NPCU) in charge of the implementation of the PRIME, the Commercial International Bank (CIB), the National Bank of Egypt (NBE), the Departments of Agriculture in the Beni Suef and Kafr-el-Sheikh Governorates, the Farming Systems Research Unit (FSRU), which has been leading a component on applied research under the Upper Egypt Rural Development Project (UERDP), and representatives of Community Development Associations (CDAs), Farmer Marketing Associations (FMAs), packing stations, farmers and borrowers from CDAs and banks. Wrap-up sessions were held on the 23rd of November, 2016, with the participation of MOIC, SFD, ADP and NPCU, and on 24th of November for the Minister of Agriculture and Land Reclamation.
3. The mission would like to express its sincere appreciation for the excellent collaboration extended by the Government at central and governorate levels and to the Social Development Fund and the Agricultural Development Programme.

B. Overall assessment of project implementation

4. The Promotion of Rural Incomes through Market Enhancement Project is a joint eight-year investment by the Government of Egypt (GOE) and the International Fund for Agricultural Development (IFAD). It comprises two financing instruments of IFAD, i.e. Loan No. I-860 and Grant No. I-C-1338 EG. PRIME is implemented by three agencies: the MALR, SFD and the ADP, formerly the Agricultural Research and Development Fund (ARDF) under the Agricultural Research Council (ARC). Coordination and implementation of the grant funds is vested with the National Project Implementation Unit (NPCU) under the MALR. The project is directly supervised by IFAD.
5. The Agreement between the GOE and IFAD was signed on 12 April 2012 and approved by the President of Egypt on October 14, 2012. The completion date is 30 June 2020, and the closing date 31 December 2020. The mid-term review is scheduled for 2017. In accordance with GOE regulations, the fiscal year is from 1 July to 30 June of the following year. The Subsidiary Loan Agreement was signed between the Ministry of International Cooperation and both of ADP and the SFD on 26 October 2013. The effectiveness date was extended by agreement between parties to 2013. The project is being implemented in the seven Governorates of Qena, Sohag, Assiut, El Minia and Beni Suef in Upper Egypt and Beheira and Kafr-el-Sheikh in Lower Egypt. Target groups include smallholder households, unemployed youth, landless labourers, women and female-headed households, and small and medium entrepreneurs.
6. In addition to Project Management and Coordination provided by the NPCU, the PRIME project includes the following two technical components:

1 Mission composition: Dr. Abdelhaq Hanafi, Country Director and mission leader, IFAD; Ms Sylvia Schollbrock, Portfolio Adviser, NEN; Mr Michael Marx, Senior Rural Finance Expert, consultant, also serving as team leader; Mr Moez Makhoulouf, Finance Specialist, consultant. Mr. Ali Shousha, Marketing Specialist, consultant. Mr. Sayed Hussein, NPCU Director, Ms. Fatma Shoaib, NPCU, Mr Mohamed Heiba, Marketing Officer, NPCU, and Dr. Howaida El-Hawary, SFD, accompanied the mission during the field visits to Beni Suef and Kafr-el-Sheikh governorates.

1. **Marketing Support Component**, with four subcomponents (Organising and strengthening Farmer Groups/Associations; Market Intelligence; Value Chain Linkages; and Market Oriented Production);
 2. **Rural Finance Component**, with three subcomponents (Market Based Credit Research & Development; Credit Facility; and Strengthening Financial Intermediaries).
7. Total costs have been projected at USD 108.2 million, to which IFAD will contribute a loan of USD 70.0 million and a grant of USD 1.0 million. Other contributions are projected to come from the GOE, ADP, SFD, participating banks and sub borrowers. The IFAD loan of USD 70 million was initially to be used entirely for lending purposes, with a tentative allocation of USD 35 million each for SFD and ADP. Following a recommendation of the November 2015 supervision mission, and its subsequent adoption by the GOE and IFAD, an amount of up to USD 2.3 million for capacity development purposes under both components was carved out of the IFAD loan. The agreement was that this would reduce the amount available for lending to USD 67.7 million, with the provision that the loan to SFD would remain at USD 35.0 million, and a reduced loan amount for ADP of 32.7 million, against the initial allocation of USD 35.0 million.
8. Total disbursements by IFAD on the basis of eight Withdrawal Applications (WAs) to date amount to USD 17.619 million (SDR 12.549 million); this represents 28% of the total loan amount. For the grant, only one WA had been submitted for an amount USD 0.187 million (SDR 0.128 million); this represents 20% of the total amount. This brings the disbursement rate to 28% of the combined loan and grant proceeds. Based on the efforts made by all sides, an amount of USD 3.55 million has been disbursed by IFAD within two weeks after the end of the mission, which should bring up the disbursement rate by an additional 5 percent points.
9. Project implementation has improved significantly since the last supervision mission, for all components. Progress can be noted as regards both marketing activities and as regards disbursements.
10. **Socio-economic situation of Egypt²**. In March 2016, the Central Bank of Egypt (CBE) devaluated the national currency by 12.6% to the USD, bringing the exchange rate to EGP 8.85 to one USD. During the first days of November 2016, the CBE announced it would now let the Egyptian point float against major currencies. This decision led to an additional devaluation of about 45% against major currencies by the end of the mission. The probability is high that the interest rates for loans, currently mostly in the range of 14-17% p.a. for bank loans, will be further increased to curb inflation, over and above the 3.0% increases that have already taken place in this year.

C. Outputs and outcomes

11. **Overall Assessment:** Though project implementing partners need to invest more effort in order to put the project into a sustainable path, the mission has observed certain progress in all areas of project implementation. In this regard, it is worth mentioning that project implementation was largely in line with the AWPB (July 2015 – June 2016), where the project has planned to disburse around USD 17.6 million, and during the reporting period was able to achieve around USD 15 million.

Component 1: Marketing Support

12. **Activities and achievements.** With relatively small amounts of funds, a substantial number of activities has been implemented. The marketing advisor conducted around 40 meetings and visits at different levels with GPCUs, farmer associations and FMAs, small farmers, input suppliers, produce buyers, SFD and ADP to create linkages between small farmers and their associations on the one hand and buyers on the other.
13. The PRIME project has so far supported 25 associations to market their products on contractual basis with traders for the local market or with processing industries, mainly in Beni Suef. These four contracts cover fruits (banana), vegetables (beans, onion, okra) and aromatic and

2 Data from the Economist Intelligence Unit (Country Report, accessed 3/11/16), Central Bank of Egypt and OANDA.com

medicinal plants. While the outcomes after almost one year do not seem to be impressive, the activities and outcomes so far have clearly demonstrated which options and approaches are more promising and viable, and which ones are not, what level of interaction between actors is required to conclude a contract, where contract farming is likely not to be a promising approach, and where training is an appropriate measure and where not. This sets the path and directions for activities in the next months.

14. Challenges. PRIME activities have been focusing mainly on processing markets. However, the mission's analysis of the relationships between Microfinance Institutions (MFIs)/Community Development Associations (CDAs) and traders/processors is that they seem to be randomly implemented. The reasons for inconsistent demand for products is not clear (possibly a combination of market disruptions, economic instability, output delivery problems, quality deficiencies, lack of food quality and safety certification); despite the project's efforts, marketing continues to be its weakest area, with adverse effects on training, extension, farming systems research and the flow of benefits. The conclusion is that the causes for inconsistency and continuity need to be assessed deeper and continuously between the marketing adviser, the associations and the different GPCU units.

15. From the experience gained under the UERDP, which has been again confirmed under PRIME, there seems to be a higher chance of continuity of sales agreements where these are concluded with local factories and processors, which are in greater need for quality and compliance with their specific requirements over a longer period. These have more interest in making their suppliers understand what to deliver, and are less susceptible to decline selling offers because of price variations. In contrast, buyers simply aggregating produce to satisfy their clients are much less interested in long-standing relationships, and more inclined to take the cheapest offers. In this latter case, both sides are not likely to honour pre-negotiated agreements if prices change in favour of either side. It would therefore be opportune to pursue options to find more buyers for quality products of farmers in the seven governorates in an indirect and less time intensive manner than before. It is therefore recommended to the marketing unit in the NPCU to identify other channels, such as internet platforms through which farmer groups can offer their produce, and where offer and supply could be linked. To a much greater extent, it would be necessary for farmers, and PRIME, to take more advantage of climatic variations between the northern and southern regions of Egypt by scheduling production cycles accordingly, thereby extend the growing season for interesting cash crops.

16. During the field visits, it has become apparent that one of the issues not resolved under the PRIME Project till now is the lack of access for FMAs and cooperatives to finance, in this case to the ADP credit facilities. Given the rather restrictive regulation of the cooperative sector, the absence of proper records kept by primary cooperative societies, the absence of audited financial statements, and the widespread lack of willingness of the financial sector to finance start-ups and new business windows of existing enterprises, the chances of success to facilitate the linkages of FMAs and cooperatives directly with the financial sector under the PRIME project are not very high.

17. One existing opportunity for such linkages exists if the successful funding of seasonal input supplies to farmers in Sohag, who are clients of a CDA, which in turn is funded by SFD, can be expanded conceptually and geographically. In this case, the CDA was capable to arrange a larger number of farmers producing green beans under contract farming arrangements, and SFD provided loans in addition to the ongoing credit just for the purposes of purchasing inputs. As this case cannot be replicated easily, because there may be few MFIs qualifying for loans from SFD and being capable to organize farmers well who offer a product in demand, it would be useful to anticipate the splitting of the functions performed by the Sohag MFI between a MFI providing the finance and a cooperative, CDA or farmer group organizing farmers properly. It would be furthermore beneficial for all sides if the financial institution would receive the total amount paid by the buyer and deduct all amounts due by farmers directly before paying the balance out to farmers. This measure, a standard in value chain operations, would ensure that the CDA/MFI and the farmers always keep clean records for their borrowing.

18. Organizing and strengthening Farmer Groups/Associations. PRIME helped a lot to organize farmers and forming marketing associations to meet the development challenges of: (1) increasing absolute and relative poverty; (2) the degradation of natural resources such as soil, water, flora and-fauna; (3) integrating inactive young people in marketing associations; and (4) the low involvement of women in health, agriculture, and other development programmes. The project has helped to establish marketing associations in the seven governorates, which is expected to help farmers to market fruits and vegetables and purchase agricultural inputs at good prices. Measurements of success are here both the volume of sales to buyers (factories - exporters) and the continued supply of inputs to them.

19. Market Intelligence. PRIME has met with farmer marketing associations, NGOs and agricultural cooperatives to: (1) open channels for fruits and vegetables for fresh markets or for processing, by bringing traders together with commodity associations; and (2) support existing and organize new commodity associations, and guide them in marketing activities for many crops. There appears to be a need to: (1) enhance efforts to create an atmosphere of trust among all involved in growing, trading, processing or exporting fruits and vegetables; (2) collect data on demand for certain crops in the market from processing and exporters; and (3) enhance access to finance to liberate farmers from borrowing from traders and input suppliers against cheaper prices.

20. FMAs and agricultural cooperatives in Beni Suef and Kafr-El-Sheikh made a number of recommendations as regards training. Training requirements included the following topics: farming as a business; production and delivery planning; traceability and Global GAP; financial management; quality and quantity surveys; association management; program management; strategic business planning; communication and negotiation skills; benefits of and approaches to forward contracting. The stated objective of this training for associations are to strengthen their capacity to serve members, in particular to manage the forward contracting process on behalf of farmers. In addition, training in management principles, program development and budgeting were seen as useful by members and leaders. This broadcasting approach to training would however exceed the financial means available under the project. Furthermore, the immediate impacts would be limited. Training should in the future be provided, in the case of associations with a contract with a local factory, as per the technical requirements of the processor, on topics such as good agricultural practices), land preparation, soil and water analyses, cultivation, fertilization, integrated pest management, and harvest and post-harvest techniques, and on a selective basis. This could, where needed, also be done in cases where such contract is being negotiated to support the process. In the case of farmers with only contracts with buyers that are not themselves processing and value adding, the focus should be on awareness raising, and strengthening the capacity of the farmer association to become a player in the market. The component would benefit from a clearer and more targeted approach to training. The efforts and funds used for broader awareness creation and technical training not geared at a specific contract should be reduced to the essential.

21. Value Chain Linkages. Value chain analysis is essential to understand markets, their relationships, the participation of different actors, and the critical constraints that limit the growth of fruits and vegetables production and consequently the competitiveness of smallholder farmers. Smallholder farmers currently receive only a small fraction of the sales price to the final consumer, even if, in theory, risk and rewards should be shared more equally down the chain. For the immediate future, sensitization of farmers and improvement of negotiation and production skills, combining the strengths of value chain analysis with the needs of poor farmers, should be attempted under a market-based approach.

22. Market Oriented Production This type of marketing depends on understanding the changing needs of buyers (factories - exporters) to face increased competition in the market. It is important to maintain a focus on quality and safety. Successful farmers or suppliers recognise the importance of both approaches. Products must start with the needs and wants of buyers. But delivery of a profitable product depends on efficiency and quality in production.

23. Staffing. It has become obvious that the workload under this component exceeds by far the capacity of one person. Initiatives have so far been concentrated on 2-3 governorates only. It is therefore recommended that the NPCU engages the services of one additional marketing advisor to concentrate on the two governorates in the Delta. Furthermore, given the number of existing associations, and the interest of other potential associations in the support services, a closer link at the governorate level between governorate staff, FMAs, producer groups, financial institutions and the marketing advisors has become necessary to advance faster. Consequently, the engagement of a third marketing advisor as contained in the capacity development plan shall be substituted by the two marketing facilitators, one for the northern and one for the southern governorates. The respective costs shall be funded from the Capacity Development component that has been approved by both the GOE and IFAD, as contained in the capacity development plan of Annex 8 of the last supervision mission report.

24. The recommendations pertaining to the ADP are presented in the matrix below.

Recommendation/agreed action	Responsibility	Agreed date
1. To prepare a concept paper on the provision of training based on demand expressed by FAs and FMAs, and the objective needs in view of the project objectives, and to build training plans on this accordingly; an update of this shall be presented to the forthcoming mid-term evaluation	Marketing team	1.3.17
2. To sign a cooperation protocol with CropLife to train farmers who have forward contracts in integrated pest management (IPM) and environmental protection measures	NPCU/Marketing Advisor	February 2017
3. To link farmer associations with financial institutions to facilitate the purchase of agricultural inputs, on the basis of the experience made by SFD in Sohag, or other promising cases and models	Marketing Advisors, SFD	Starting Feb. 2017
4. To deepen the assessment of the production and marketing groups/FMAs associated with PRIME, and to prepare an assessment report	Marketing team	1.5.17
5. To assess the different options to subscribe to a service provider who could link offer and demand of produce on a website	Marketing team	1.2.17
6. To recruit a Marketing Adviser for Northern Egypt, and of 2 Marketing Facilitators (1 for Northern Egypt, 1 for Upper Egypt)	NPCU	Start of service by 1.2.17

Component 2: Rural Finance

(1) Agricultural Development Programme

25. Current status of implementation of the credit line. Two withdrawal applications have been raised by the ADP of USD 1.25 million each, in December 2014 and July 2016 respectively. Following the approval by the MALR of the Loan Approval Committee (LAC) as recommended by previous missions, the LAC had approved two loans of EGP 5.0 and 8.0 million. As a consequence, ADP transferred the amount of USD 1.3 million to CIB for disbursement to the clients selected. However, CIB discovered that the Ministerial Decree 574/2016 dated 16.4.16 that had created the LAC only permitted the LAC to approve the technical recommendations made by the technical committees engaged in the loan appraisal process. As this did not include the authorization to disburse the loan, a revision of the Ministerial Decree became necessary. Subsequently, the MALR passed a new decree 1557/2016 dated 22.9.16 which rectified the above deficiency. This latter decree also vested the right to approval of loans for all ADP loans with the LAC, not just the PRIME and SAIL loans. This Decree is important because: (1) it delegated powers hitherto vested with the Minister personally to a committee that is instructed to act on her/his behalf; and (2) the permission to the LAC to meet regularly, mostly monthly, and even in the absence of the Minister himself. The Decree should further be seen as an emanation of the will to delegate powers, which was resisted previously. Unlike before,

the LAC now meets regularly to approve loans, which has led to a much faster use of ADP resources than previously; since February 2016, the LAC approved a loan volume of EGP 250 million.

26. As the process to draft a new Decree took some time, the two clients refused to wait for its finalization and cancelled the loan agreement on their side. CIB reversed all transfers accordingly, refunded the amount to the ADP accounts and valued the respective amounts as per the dates of transfer.

27. An agent agreement between ADP and CIB has been signed in April 2016. By the time of the mission the CIB had signed the contracts with five participating financial institutions (PFIs), i.e. (1) Principal Bank for Development and Agricultural Credit (PBDAC, now Egyptian Agricultural Bank [EAB]); (2) Société Arabe Internationale de Banque; (3) Export Development Bank of Egypt; (4) Bank of Alexandria; and (5) National Bank of Egypt (NBE). NBE thus appears as intermediary under the Subsidiary Loan Agreements (SLAs) with both the ADP and SFD.

28. During the first two weeks of October 2016, the LAC then approved 8 loans for funding under PRIME, with a total amount of EGP 19.292 million. Of these, two loans were under the EDBE, two under SAIB and four under the PBDAC, which has been recently renamed the Egyptian Agricultural Bank (EAB) by virtue of a new law passed by parliament. Of the 8 loans, two were in the amount of EGP 8 million, one slightly above 2 million, one in the amount of slightly below one million, and the others in the range of EGP 40,000 and EGP 140,000. All smaller loans were under the PBDAC/EAB. The mission was informed that the loans submitted for LAC approval during the last LAC session in November would include an amount of EGP 2.9 million, i.e. the balance of the first two WAs. ADP management also assured the mission that the amount of USD 0.9 million in the third WA would be submitted for LAC approval during the month of December 2016. In the first days of December, after the end of the mission, IFAD processed two WAs of USD 2.75 million, which should bring up the disbursement rate by an additional 5 percent points.

29. CIB, the agent bank of ADP, projected the amount of disbursement under PRIME, taking into consideration all sources of funds available to ADP, at EGP 140 million, an equivalent of USD 8.0 million (using the current exchange rate of about EGP 17.7 to one dollar. After some years of constraints in the side of ADP, it appears now that everything is set for an accelerated flow of funds from the IFAD loan, and that the main constraint has now become the availability of funds.

30. In this regard, the decision of IFAD to increase the ceiling for WAs from USD 1.25 million to USD 4.0 million [as per the amendment of the letter to borrower/recipient dated 16 November 2016](#), will remove the above constraint. As stated in the IFAD message, the effectiveness of the change is subject the recruitment of a qualified accountant by ADP acceptable to IFAD. [A Ministerial decree dated 10 December 2015 has already appointed the accountant](#). The mission herewith endorses that the accountant deployed by the MALR to ADP is qualified and capable to perform the duties to be performed.

31. The primary target groups of the ADP credit line are small and medium scale farmers (male and female), private entrepreneurs, processors and smallholder tenants acting through intermediaries including agricultural based cooperatives and associations, in particular businessmen's and businesswomen's associations operating in agricultural/rural areas. The provided loans, through CIB, have been disbursed to the following sectors: livestock/dairy (2) poultry (3), aquaculture (4), horticulture, (5) on farm irrigation and drainage (6), input supplies, (7) post-harvest operations (8) agricultural marketing (9), medicinal and aromatic plants (10), land reclamation (11) and farm machinery (12).

32. Acting on previous recommendations. ADP, with the strong support by the MALR, has responded accordingly to the essential recommendations of previous missions. With the legal procedural adjustments as described above, the ADP has submitted a WA of USD 2.7 Million by the end of the supervision mission achieving the disbursement target of USD 3.5 million. [In fact, ADP would have exceeded the target if GoE anticipated the increased of the disbursement and requested IFAD to increase ADP's authorized allocation before November 2016](#). With the creation of LAC and its

monthly meetings, and the completion of all administrative and legal conditions, the ADP is now geared towards rapid disbursement; since February 2016, the LAC has already approved loans worth EGP 250 million. The CIB and ADP projected total disbursements under PRIME through ADP in 2017 at EGP 140 million, equivalent to about USD 8 million at current exchange rates. On average, ADP would have to disburse annually an amount of about USD 8.4 million to disburse the entire amount allocated to ADP at completion point. Depending on some external factors, such as the overall investment climate and the exchange rate, this should be largely possible.

33. The ADP has not acted on two recommendations: (1) to change the revenue sharing formula for capitalization and use for research, by introducing a system that favours lending activities, not the deposit in banks, and (2) to share with IFAD and the NPCU the complete audited financial statements for the past three years of the ADP/ARDF. ADP assured the mission that these two issues would be tabled on the agenda of the Board of Trustees (BOT).

34. ADP management assured the mission that an initiative would be underway to undertake a due diligence of the ADP, to be financed from resources provided by another donor, and determine adjustment needs in terms of legal status, institutional set-up, staffing, business model, operations, fund management, accounting, and overall risk management.

35. The recommendations pertaining to the ADP are presented in the matrix below.

Recommendation/agreed action	Responsibility	Agreed date
7. To submit to IFAD and the NPCU copies of the audited/certified financial statements of the ADP/ARDF for the past three years	ADP Director	31.12.16
8. To prepare a tentative disbursement plan for the resources allocated to ADP under PRIME till the end of the project, to be approved by the BOT	ADP Director	31.3.17
9. To undertake a due diligence of ADP, including the resource allocation policy, and share the results with IFAD and the NPCU	ADP Director	31.3.17

(2) Social Fund for Development

36. Small enterprise lending. By the time of the mission, SFD had received five fund transfers from IFAD in the amount of USD 14.2 million. Of this, SFD disbursed, through its Central Sector for Small Projects Finance (formerly referred to as SEDO), an amount of EGP 105 to the National Bank of Egypt (NBE). The first tranche was disbursed to NBE in August 2015 and the last one in April 2016. By the end of June 2016, NBE had disbursed 1281 loans worth EGP 100.02 million, and by end of October 2016, this had increased to 1361 loans worth EGP 105 million. Of loans disbursed by June, 502 or 37% went to women and 859 to men. The average loan amount was EGP 77,150 (an equivalent of USD 8,720 at the time of disbursement). This average amount is significantly lower than the ceiling of EGP 1 million, which was permitted under the loan agreement with SFD. The significant outreach to women, and the comparatively low average amounts have been much appreciated by the mission, in particular taking into consideration that the PRIME management did not attempt to convince the NBE to make special efforts to prioritize women, but allowed for the free selection of clients only with some sensitization on gender equality. The portfolio quality is excellent, with only 0.004% of the loans in arrears.

37. Overall, SFD was able to disburse 1,361 loans (through NBE) to end-beneficiaries amounting LE 104,719,000. As a result, and according to SFD's estimates 2727 Jobs have been created. It is worth mentioning that loans are distributed to 5 main sectors, namely, livestock (71%), trade (20%), manufacturing (6.5%), service (2%) and self-employment (0.5%).

38. In this regard, the mission has assessed the partnership model with NBE as highly successful and recommends to extend the agreement with NBE and allocate additional USD 7 million. The rationale behind this decision is not only the fact that NBE was able to disburse the equivalent of USD 14 million in a year period, but also, and according to the mission's assessment, this amount has

been channelled to IFAD's target groups and benefited the poor in the project area. This is demonstrated by the average size of loan provided, which amounted to USD 8,720.

39. Microfinance. Following a new microfinance law 141/2014, SFD was restricted from lending to MFIs unless these had received a new license from the Egyptian Financial Supervisory Authority (EFSA) under the new law. Since the entry into force of the new law and February 2016, more than 700 MFIs received such a license. Since the beginning of 2016, SFD has approved three loans to MFIs in the seven governorates amounting to EGP 4.09 million, of which an amount of EGP 0.25 million has been disbursed so far. Furthermore, SFD has a pipeline of six applications in five governorates of EGP 9.0 million. Disbursements under the allocation of USD 21 million are therefore just about 0.13%.

40. Constraints for supporting the microfinance sector. There are a number of factors explaining the slow disbursements, among them: (1) a risk aversion of many MFIs to grant larger and more meaningful loans to their clients, for fear of default and loan losses; (2) inadequate loan appraisal procedures of SFD in the appraisal of MFIs; (3) delays in disbursements of approved loans to MFIs; (4) inappropriate procedures of SFD, such as the condition that loans need ministerial approval; (5) lack of capacity of SFD to scale up even successful new loan products, such as seasonal loans for farmer groups operating under contract farming; (6) significant available funds from other donors awaiting disbursement; (7) insufficient efforts and staff of regional SFD offices to promote microfinance; and (8) lack of funds for capacity development, or lack of use of existing funds for this purpose.

41. Given the inertia of SFD, it is not certain that the amount allocated for the microfinance (MF) activities of USD 21 million could be fully disbursed within the project area before completion. As a consequence, it is recommended to SFD to use an amount of USD 7.0 million to extend the contract with NBE under SEDO, with the provision that the loan ceiling is increased to EGP 2.0 million. This increase of the maximum amount is justified by the fact that the Egyptian pound had, up to the time of the mission, lost 55% of its 2015 value against the USD, and that the rate of inflation is already at a high level (15%) and will increase further, and that the cost of investment projects will therefore increase by at least 25-50%, depending on the currency in which expenditures are to be made.

42. In order to determine the amount that could be absorbed by MFIs under the SFD microfinance window, it would be necessary that SFD prepares a more detailed projection of the disbursement till completion date. On the basis of these projections, an assessment should be made of the different disbursement channels to the microfinance sector. These channels could include NBE, Bank Misr and Banque du Caire, which all have refinancing windows for MFIs, and could also include the largest MFI in the country, Alexandria Business Association, under a direct lending approach. CBE has for example decided to increase its current portfolio of EGP 1.1 billion to 26 MFIs by EGP 450 million in the current financial year, and assured the mission it would be able to absorb an amount of about EGP 361.6 million in five of the seven governorates supported under PRIME through ten MFIs.

43. The rural finance portfolio assessment/study commissioned by IFAD for December 2016 would ideally look deeper into this matter, in particular the real absorption capacity, and assist with a framework for assessing MFIs. The mid-term evaluation of PRIME, scheduled for mid-2017, would eventually recommend a channelling of funds which could not be absorbed by the smaller MFIs through other suitable intermediaries.

44. Acting on previous recommendations. SFD has implemented a number of recommendations made by previous missions. Activities not performed, or postponed much beyond the agreement reached, include the conduct of a review of the lending operations regarding microfinance, the expansion of the seasonal agricultural loan product (postponed to 2018), and the arrangement of platform meetings of MFIs at governorate level.

45. Capacity development of the microfinance sector. With the approval of the re-allocation of an amount of SDR 1.485 million, or USD 2.3 million, for capacity development measures as presented in Appendix 8 of the 2015 supervision mission report by the Ministry of International Cooperation

(MOIC), an amount of about USD one million is now available for component 2 only. It is thus opportune that SFD and the NPCU prepare for the procurement of the following activities and services:

- Capacity assessment of licensed and operational MFIs interested to borrow from SFD in the seven governorates supported under PRIME, plus identification of training, capacity development and Management Information System (MIS) needs;
- Preparation and conduct of a training programme for the above screened MFIs in accordance with the assessment made;
- Installation of more performing MIS under a co-financing agreement, and training of MFIs on the use of the software.

46. It is evident that the above will have to be made in close collaboration with EFSA, the Egyptian Union of MFIs, the MFIs themselves, and other donors supporting the same initiative or pursuing the same activities.

47. The recommendations pertaining to the SFD are presented in the matrix below.

Recommendation/agreed action	Responsibility	Agreed date
10. To finalize the assessment of the experience made in Sohag with the seasonal agricultural loan product, and to extend this where feasible to other CDAs and MFIs operating in value chains or under contract farming arrangements	SFD, NPCU	31.1.17 during 2017
11. To arrange for regular planning meetings of microfinance coordinators, and have these gradually and diligently involved in the emerging CDA networks at governorate level, with funding under the CD plan	SFD	continuous
12. To prepare a tentative disbursement plan for the resources allocated for microfinance to SFD under PRIME till the end of the project	SFD	31.12.2016
13. To extend the contract with NBE with an amount of USD 7.0 million, under the same terms and conditions as the previous one, with the exception that the loan ceiling is increased to EGP 2.0 million	SFD	31.12.16
14. To assess the capacity of MFIs in the seven governorates and develop an capacity development plan until the end of the project, with funding under the CD measures	SFD, NPCU	31.3.2017

D. Project implementation progress

48. Project Management Performance. The NPCU is responsible for the implementation of the PRIME project. The unit is embedded in the MALR and staffed by ministerial personnel acquainted with GOE and IFAD procedures, who work for the project on a part-time basis. In each of the seven Governorates, a Governorate PCU (GPCU) is established, with mirroring functions. SFD, and its regional offices, are responsible for the implementation of activities related to the SLA signed by SFD. The ADP only operates in Cairo, but uses the CIB network and a network of more than 20 technical consultants experienced in different agronomic and agribusiness fields to appraise loans. Activities pertaining to marketing and value chain development are implemented by SFD and ADP in parallel to the national and promotional activities that are vested with the NPCU. The work of the NPCU is overseen by a Programme Steering Committee, which provides policy guidance, approves AWPBs, approves participation of implementing partners and facilitates operational issues.

49. The mission views the implementation capacity of the NPCU and of the GPCUs in general as moderately satisfactory. As before, proactive implementation of the project, compliance with mission recommendations, and M&E are the domains with somewhat weaker performance. The enthusiasm of NPCU and GPCU staff to work with and for PRIME has been negatively affected by the decision of the GOE not to pay any allowances to government staff, and NPCU and GPCU collaborators have thus not received allowances paid before. The SFD team is professional and dedicated to the

objectives of the institution, and SFD has been a good partner under both UERDP and PRIME, with high levels of commitment and responsiveness to issues, queries and recommendations. The management capacity of the ADP is low, but it has secured the support services of a reputable local commercial bank as fund manager, which reduces the need for staff. This has helped ADP as this organization does not have sufficient staff in relevant fields and adequate experience in fund management and collaboration in multi-stakeholder initiatives such as PRIME. No Project Implementation Manual (PIM) has yet been drafted and submitted to the respective authorities for approval.

50. The NPCU has established and maintained good and close relationships with the GPCUs. Reports by GPCUs are submitted to the NPCU within reasonable delays. Despite the recommendations made earlier under both PRIME and UERDP, no summary of lessons learnt have been prepared so far. Given the absence of a technical driving force within the NPCU, it does not appear to be realistic to expect GPCUs, which do no longer receive any allowances under the project, to contribute to lessons learnt from project implementation. The only options to derive at such lessons may thus be the forthcoming rural finance study as regards rural finance, and to request the Marketing Advisor to prepare such lessons as regards marketing. As he was overburdened with work during the past one year, a first report should be prepared by the marketing team towards the end of the first half of the year 2017.

51. With the recruitment of a full-time Assistant Coordinator in May 2016, project management has significantly improved. Areas for further improvement of project management include the quality and accuracy of the AWPBs, aggregation of data, and outreach to women and the youths. Attention to and follow-up on sub-components and activities not easily implementable has generally improved recently. The overall management of the PRIME was assessed to be **moderately satisfactory**.

52. With the adoption of the recommendation by both MALR and MOIC to use an amount from the loan proceeds of up to USD 2.3 million for specific capacity development activities, there is a need to start implementing the required measures as soon as possible. For this purpose, the draft guidelines for the application and approval of proposals for capacity development measures prepared by the last supervision mission have been updated (Appendix 8). These guidelines vest an approval authority of USD 10,000 with the Director of the NPCU, and require the approval (preferably by email) of a Capacity Development Committee for all amounts above this value. A No Objection of IFAD is required for proposals above USD 50,000. It is recommended to the NPCU to seek the approval of the two concerned ministries in order to inform all agencies and start the appraisal process.

Agreed action	Responsibility	Agreed date
15. To consolidate and analyse lessons learnt from project experience in a bimonthly report with a view to facilitate mutual learning and cross fertilization	NPCU on the basis of GPCU reports and experience at national level Marketing team Consultant	First report by 30 June 2017, then every quarter
16. To draft a Project Implementation Manual and submit for approval	NPCU	28 February 2017
17. To approve the Guidelines for PRIME Capacity Development	MALR, MOIC	31.1.17

53. Monitoring and Evaluation. The PRIME Logical Framework has been reviewed and its format revised during the reporting period, with the support of IFAD implementation support missions. This has led to greater clarity of the underlying 'theory of change' for the project and has helped to align and integrate RIMS reporting in project results reporting.

54. The GPCU has updated the Logical Framework with data derived from the Baseline Survey Report and with indicator values, mainly at the output level, as of the end of the second year of implementation. Reporting adequately reflects the progress made with regards to marketing support. Reporting against rural finance activities reflects the limited progress made in this component. It must

be noted that reporting of SFD progress, while limited, is captured correctly, whereas factual errors are contained in progress reporting of ADP activities.

55. M&E activities consist of a compilation of quarterly and annual progress reports focusing on activities. While reporting on the marketing activities is to some extent results-oriented, overall, the PCU capacities to analyze data and to draw conclusions for management decisions must be strengthened. The project does not possess a modern management information system (MIS) and data is maintained in spread sheet format only. The mission recommends that GPCU focus on strengthening M&E activities for results management in the next implementation year, including the establishment of a complex database or MIS for data storage and management. While some improvement can be noticed, the overall performance of Monitoring and Evaluation continues to be assessed as **moderately unsatisfactory**.

56. Gender focus. Under PRIME, a good outreach to women has been achieved so far. Under the small enterprise lending involving the NBE, 37% of borrowers have been women, a very satisfactory rate. As ADP had disbursed loans to only 8 projects under PRIME, the calculation of distribution by sex does not make sense yet. As SFD has only disbursed one tranche of EGP 0.25 million to a first MFI, no data are yet available on the distribution of loans by sex. However, it could be expected that under SFD lending to MFIs, 40-50% of the number of clients would be women. Under the marketing component, the Marketing Advisor has facilitated the creation of 8 new FMAs entirely composed of women. It would be interesting to see at mid-term how these FMA fared, and to what extent these have achieved some of their self-set results. Of the total training participants supported since inception under the marketing component (3302), 522 or 16% were women. The percentage of women in these training was higher under component 1.1 (Strengthening of FMAs), with 31%, compared with the other three sub-components, where the level of participation was in the range of 10% (Marketing Intelligence) and 15% (Market-Oriented Production). These results appear satisfactory on the whole, given the overall distribution of duties within households and other important social factors, and the specific targeting done under microfinance by CDAs, but still leave some space for improvements. These appear to be more likely to be addressed once a more complete marketing team has been established within the NPCU.

57. As noted before, the NPCU only updates the outreach and RIMS data sheets once per year, which does not facilitate solid understanding of actual performance and proper follow-up. It is therefore recommended to the NPCU to consolidate the outreach, output and outcome performances on a quarterly basis, and to react more proactively on any eventual gender bias and to engage in a dialogue with partners on how to overcome such. This would of course be done in an understanding of the of the prevailing environment in which the project operates, the apparent limitations of what could be achieved, and the time horizons needed. The gender focus of the UERDP is rated **moderately satisfactory**.

58. Poverty focus. Among the activities with clear poverty focus under the PRIME project, the MF activities have only recently started, given the prohibition to grant new loans to MFIs that have not received a new license under the 2014 Microfinance Law. Most of the MFIs that are supported by SFD have a clear focus on poor people, which is apparent also in the absolute ceiling for loans of EGP 10,000, which at present does not even allow a person to buy a cow. Many of the loans granted by NBE were received by low income groups, as can be seen in the field and from the data on project purposes. In addition, some of the loans approved under ADP also included some relatively small amounts, in particular those approved for PBDAC/EAB. Many of the loans to small and medium enterprises have indirect employment benefits for the poor. Many of the marketing activities, including those supporting linkages with buyers and processors, and the pure training activities, are geared at low income people. With 28% of Egyptians living below the national poverty standards, one can safely assume that even in the absence of data, many persons supported with PRIME resources are in the poverty or low-income bracket. The poverty focus of the PRIME is therefore rated **moderately satisfactory**.

59. Effectiveness of targeting approach. An assessment of the effectiveness of targeting in accordance with the prescribed approach is not possible as no such quantitative targets have been set in the PDR or the Report submitted to the IFAD Executive Board.

60. Innovation and learning. For SFD, the PRIME was an opportunity to see whether it would make sense to pass on PRIME resources to a commercial bank, rather than using its own branch network and approaches. So far, the collaboration between SFD and NBE, a commercial bank, has been very fruitful and positive: (1) NBE was able to undertake a professional loan appraisal within a much shorter time than SFD would have been able to do; (2) the commercial bank had and has a much wider outreach to interested investors in agribusiness and production than SFD; and (3) even though the commercial bank approach was much faster, this did not affect risks; practically none of the loans is in arrears. This has set the path for an extension of this innovation in the Egyptian context, as approved by both institutions during this mission. ADP has on-going cooperation agreements with about 25 technical experts, most of whom have at least a PhD., who are involved in their respective disciplines in the technical assessment of each ADP loan. This system worked so well that the commercial banks rely on the technical feasibility studies in their loan appraisal. On the negative side, neither the UERDP nor the PRIME management have been capable to draft simple lessons learnt from project implementation, which inhibits learning. Another innovative approach for Egypt is the seasonal loan facility provided by SFD in Sohag. Overall, innovation and learning is rated **moderately satisfactory**.

61. Climate and Environmental Focus. Given the focus of the project on rural finance and marketing, climate change and environmental issues have not been a focus under PRIME. One of the recommendations made by this mission is to seek a new partnership with an association, CropLife, to provide training to farmer groups supported under the project in the proper use of agrochemicals, as it has been observed that some farmers are neither fully conversant with the technical specifications of agrochemicals they want to use, nor with the need for protective clothing. Such training would most likely lead to a reduced application of chemicals on crops, with the associated benefits on human beings and the environment, and also on the persons doing the spraying. Furthermore, the applied research conducted under UERDP has provided some interesting intercropping models, with a significant reduction in labor, water and fertilizer consumption of crops. In case an agreement could be found with the respective government agency, the FSRU, there would be a chance to spread the knowledge of such new models and systems to the other governorates supported under PRIME. The NPCU and FSRU have recently initiated negotiations about such renewed partnership.

62. Partnerships. The partnership with SFD is long standing and has so far worked very well. It is expected that a new product for financing of seasonal inputs by MFIs could be expanded more widely soon. The partnership with ADP was new for both sides, and has been evolving in a positive manner in the past one year. ADP has made significant efforts to accomplish what the last supervision mission recommended, and the MALR has led and supported the process. The collaboration with the NPCU, which represents the MALR, has been unproblematic in most aspects, with the noted deficiencies in project implementation as noted above. The partnerships with the banking sector, notably CIB and NBE, has been very positive so far; the commercial spirit combined with an interest to serve the agricultural sector properly has a positive inspiration for the project.

Agreed action	Responsibility	Agreed date
18. To validate the updated logical framework as presented in the attachment	GOE, IFAD	31.1.17

E. Fiduciary aspects

63. Financial management. A Financial Management (FM) assessment was conducted to review the adequacy of the arrangements in place for the Project. The assessment also included a review of the actual expenditures incurred since the start of project implementation. The PRIME project is implemented under the overall leadership of the MALR. The MALR, through the NPCU, is responsible

for the overall financial management of the project, for coordinating all financial reports from implementing partners and the implementing agency for activities financed from IFAD grant proceeds. The SFD and the ADP are the implementing agencies of the rural finance component financed by the IFAD loan. Based on the FM supervision, the FM rating of this Project is concluded as moderately satisfactory.

64. Project cost. The duration of the PRIME Project is eight years. The total project cost is estimated at USD 108.220 million, to be financed by an IFAD loan of USD 70 million (SDR 44.140 million), an IFAD grant of USD 1 million (SDR 0.630 million), and contributions by ADP of USD 10.920 million, the Government of USD 7.6 million, the SFD of USD 1 million and finally of the beneficiaries of USD 17.7 million. The Government contribution including (taxes and duties) would finance vehicles, equipment, goods and materials, technical assistance and the incremental operating costs.

65. Due to the appreciation of the USD against the SDR (the rate was 1.586 at appraisal and is now 1.360), the project cost in USD would be reduced. Based on the disbursements already done on loan to date of a total amount of SDR 12,549 million, the difference of the amount received in USD by the project is USD 2.282 million (USD 17.619 million based on actual exchange rates instead of USD 19.901 million on the basis of the exchange rate at appraisal). If the exchange rate SDR/USD remains 1.36 as at present till completion date, the loan in USD would be less by USD 10 million and would be USD 60 million, whereas the grant would be reduced to USD 0.870 million.

66. During November 2016, the Central Bank of Egypt announced it would now let the Egyptian point float against major currencies. This decision led to an additional devaluation of the EGP against USD (the rate USD/EGP was 6.06 at appraisal and stood at about 17.5 at the end of the mission), and it is uncertain yet whether it will stop here. As a consequence, this would increase the available funds in EGP to at least EGP 900 million.

67. Furthermore, the contributions of the ADP and the Government appear to be highly overestimated. The mission recommends to revise and adjust at the mid-term review mission the loan and grant amounts in USD and the contributions of the ADP and the Government to project cost.

68. Organization and Staffing (moderately satisfactory). The financial management of the NPCU of MALR consists of a part-time finance manager based in Alexandria governorate who is responsible for the overall financial management of the project and its records, one full-time and one part-time accountant in Alexandria and one part-time accountant based in the MALR in Cairo. In response to an IFAD request, the ADP decided to appoint an accountant by Ministerial Decree. The finance department of SFD is responsible for the overall financial management of the SFD's operations including PRIME, and staffed with qualified and experienced personnel. To enhance the staff capacities, the mission recommends to organize targeted training to build the NPCU and ADP accounting and financial staff capacities at central and regional level on IFAD directives and on how to prepare Was in line with the new rules of ICP Online submission of WAs.

69. Budgeting (moderately satisfactory). IFAD loan and grant budget is viewed by the Government as part of the national budget. The MALR prepares its annual budget for all planned activities and submits it to the Ministry of Planning for approval before its final approval by Parliament.

70. Before the end of each fiscal year, the NPCU prepares a consolidated AWPB for the following year for activities planned by the NPCU, ADP and SFD for project steering committee approval, and subsequently submits it to IFAD for review and No Objection. To further enhance the quality of the AWPB to meet IFAD requirements, the mission recommends that the project prepares a consolidated AWPB and shows the budgeted amount for component 3 by sub-component in order to facilitate the periodic informative monitoring reports of budgets against actual to aid management decisions.

71. Funds flow and Disbursement Arrangements (moderately satisfactory). Disbursements from the project bank accounts are subject to a sufficient level of review, checks and balance to ensure sufficient level of control exists. The Project NPCU maintains and administers at the Central Bank of Egypt two accounts, one designated account in USD for the grant proceeds and an operating bank account in EGP, to pay eligible expenditures of the project. The operating account receives

funds from the designated account. Further to the reallocation of funds by category approved by IFAD on July 11, 2016, the NPCU opened another designated account in USD at the Central Bank of Egypt for the loan proceeds and another operating bank account in EGP to receive funds from the loan designated account and to pay eligible expenditures for capacity building.

72. In addition, the project has two designated bank accounts in USD for the payment of eligible expenditures from the loan proceeds, the first one is managed by the SFD and the second one is managed by the ADP. SFD has contracted the National Bank of Egypt (NBE) as financial intermediary to carry out rural lending targeting small and medium enterprises, while ADP has contracted CIB as agent bank for managing and administering the credit line. IFAD accepted on November 16, 2016, the ADP request to increase the WA amount from USD 1.250 million to USD 4.0 million to facilitate a constant flow of loans.

73. Commitments. The total amount of commitments (signed contracts) as of October 31, 2016, is equivalent to approximately USD 17.609 million, which represents 16% of the total project cost as per the design document; financed by IFAD loan (USD 17.410 million) for rural finance, IFAD grant (USD 0.100 million) and the MALR (USD 0.101 million). The commitments do not include the contributions in kind from the Government, the SFD and the ADP and also the contribution of the beneficiaries. The mission recommends to estimate at the end of each fiscal year the contribution of the beneficiaries and the contribution in kind of the implementing partners (Government, SFD and ADP). In previous missions, the NPCU had already been provided with a spreadsheet table to record all cash and kind contributions.

74. The commitments do not include the contributions in kind from the Government, SFD, ADP and beneficiaries. The mission recommends to estimate at the end of each fiscal year the contributions of beneficiaries and the contributions in cash and in kind of the implementing partners. In previous missions, the NPCU had been provided with a spreadsheet table to record all cash and kind contributions.

75. Actual expenditures. The total amount of actual expenditures as of October 31, 2016, was USD 15.574 million (FM Appendix, Table 1), financed by IFAD loan (USD 15.390 million), IFAD grant (USD 0.083 million) and the MALR budget (USD 0.101 million). The actual expenditures represent 14% of the total project cost.

76. The actual expenditures on loan were USD 15.390 million and represent 22% of the 70 million loan. The actual expenditures on the grant total USD 0.100 million, representing 10% of the total grant allocation.

77. Actual expenditures in AWPB 2015/2016 and 2016/2017. The actual expenditures reported against the AWPB of 2015/2016 are USD 13.403 million (FM Appendix, Table 2) and represent 87% of the total planned amount (USD 15.4 million).

78. The actual expenditures reported against the AWPB of 2016/2017 are USD 2.171 million (FM Appendix, Table 3) and represent 17% of the total planned amount (USD 12.8 million).

79. The AWPB has been prepared by component, sub-component and financing source, and its quality has been significantly improved compared with previous years. Coherence and quality of AWPB is rated moderately satisfactory.

80. Internal Control (moderately satisfactory). The internal control system in place within the MALR, ADP and SFD is deemed satisfactory. Segregation of duties exists at the level of NPCU, ADP and SFD. The payments from project banks accounts, recording and posting of transactions are subject to sufficient level of controls. Payments currently processed by NPCU financial manager are reviewed by the financial controller of the Ministry of Finance assigned to MALR, and approved by the director. As required by law, the financial controller reviews and verifies every transaction against the supporting documents and must certify each transaction before the issuance of bank checks.

81. Most payments are made using bank checks, only small payments from the IFAD grant to cover training sessions in the field are allowed to be paid in cash, and which then need to be justified by the

supporting documents. All transactions are further subject to ex-post review by a Government auditor from the Central Audit Organisation.

82. Accounting (moderately satisfactory). The NPCU uses manual book-keeping/ledger for the accounting of the grant transactions maintained by the respective Governorate Project Coordination Units (GPCUs). The expenditures for Government budget are recorded at (MALR) level using another manual book-keeping, too. The NPCU is in the process of negotiating with a consulting firm an accounting system, which would eventually be operational by mid-2017. However, SFD and ADP use an electronic accounting system for the loan proceeds.

83. Financial Reporting and Monitoring (moderately satisfactory). The NPCU currently does not produce consolidated financial and monitoring reports for the overall project. Moreover, there is no estimation of the contributions in kind of the implementing partners/agencies (MALR, SFD and ADP) and of the contribution of the beneficiaries. The mission reminds that in accordance with the Financing Agreement, the MALR shall submit to IFAD detailed financial statements for each fiscal year within four months of the end of each fiscal year.

84. The mission recommends the project to produce financial and monitoring reports from by component, sub-component, category and financier on a quarterly basis and share it with concerned stakeholders and IFAD. The implementing partners/agencies should estimate their yearly contribution in cash and in kind as well as the beneficiaries' contributions.

85. Internal Audit (moderately satisfactory). The 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 to the department annual work plan. The audit department objective includes, inter-alia, ensuring that procedures set in the operational manual are complied with, conducting internal audit missions, and reinforcing the coordination among the various operating aspects of this entity. In addition, the internal audit department covers projects funded through the associations and the small projects funded through intermediaries. However, the NPCU and ADP do not have internal audit units. Given the separation of functions between the ADP and its financial agent (CIB), a reputed commercial bank, and the absence of significant financial transactions at the level of ADP, an internal audit unit is not warranted at present.

86. Fixed assets register. The MALR keeps fixed assets in a manual assets registry and in line with government's established procedures.

87. Disbursement (moderately satisfactory). As of 15 November 2016, 28% (SDR 12.549 million), equivalent to USD 17.619 million of the total loan allocated for the project have been spent (FM Appendix, Table 5C-a). From the IFAD grant, only 20% (SDR 0.128 million), equivalent USD 0.187 million, of the total grant allocated have been spent (FM Appendix, Table 5C-b).

88. Designated accounts. From November 2015 (date of the last supervision mission) to date, five WAs, of which three from SFD and two from ADP, had been submitted and disbursed in the fiscal years 2015/2016 and 2016/2017 from the IFAD loan for an amount of USD 12.369 million, equivalent to SDR 8.908 million (SFD: USD 10.201 million = SDR 7.343 million; ADP: USD 2.168 million = SDR 1.565 million), implying a disbursement rate of 28%. However, the NPCU did not submit any WA related to the grant during this period. To respect the letter to the borrower, the mission recommends the NPCU to submit a WA for grant replenishment by December 31, 2016.

89. The closing balances as of November 22, 2016, were USD 0.978 million of the SFD designated account, USD 0.918 million of the ADP designated account and EGP 2.9 million of the ADP operating account. SFD and ADP prepare bank reconciliation statement on monthly basis.

90. Regarding the IFAD grant, only one WA has been processed since the implementation start, for an amount of USD 0.187 million. The closing balance of the designated account, as of September 30, 2016, is USD 74,362 and the closing balance of the operating bank account as of September 30, 2016, is EGP 28,644. The NPCU prepares bank reconciliation statement on annual basis. The mission recommends to prepare bank reconciliation statement on quarterly basis.

91. Counterpart Funds (unsatisfactory). Government counterpart contribution to the project is allocated on yearly basis and is neither sufficient nor timely. Usually, funds flow to MALR on quarterly basis and the first quarter allotments are normally transferred three months after the beginning of the fiscal year. As a result, during this period, the project cannot pay for any expenditure that is planned under counterpart contribution budget. The total approved counterpart budget for the FY 2015/2016 and 2016/2017 are very low (EGP 125,000 and EGP 146,000), against USD 7.6 million that have been budgeted in the project design report. Therefore, the Government did not pay the allowances for the project staff since many months and no payments have been made on the Government budget during the FY 2016/2017. Partly in view of this situation, IFAD accepted to reallocate SDR 1,485 million and SDR 0.115 million from category 2 "Credit fund" to category 1 "Studies workshops and training" and to category 3 "Salaries and allowances". The mission recommends to NPCU to follow up closely with GOE to ensure adequate allocation and timely flow of counterpart funds.

92. Compliance with Loan Covenants (moderately satisfactory). Compliance with loan covenants has been rated as moderately satisfactory. The project is in compliance with the Financing Agreement's legal covenants with the exception of (1) semi-annual narrative and financial reports for the FY 2015/2016 were not submitted yet to IFAD; and (2) untimely flow of the counterpart contribution.

93. Procurement (moderately satisfactory). The overall procurement assessment carried out by the mission shows that in general services financed by IFAD have been procured in accordance with the national shopping procurement method.

94. Statement of Expenditure review. The mission selected and examined 3 payment vouchers related to the grant for a total amount of EGP 0.152 million and found the supporting documents to be adequate and easily retrievable. It was however noted that the payments to Al-Zanaty & Associate for a base line survey were for an amount of EGP 355,625, while the IFAD Non Objection was for an amount of EGP 320,062 only. Unless the situation is rectified, the difference could be considered by IFAD as non-eligible expenditure on grant financing.

95. Quality and Timeliness of the Audit (moderately satisfactory). As no expenditures were incurred during the FY 2014/2015, the audit report has been waived. However, the first audit report for the project will cover the period from project effectiveness date to June 30, 2016. The NPCU appointed an independent auditing firm. The first audit report will be due by December 31, 2016. The mission recommends that NPCU to submit the audit report before December 31, 2016.

96. Action plan. The actions required and the plan for achieving the recommendations are noted below.

Recommendation/agreed action	Responsibility	Agreed date
19. To revise the loan and grant amounts in USD and EGP, and the contributions of ADP, the GOE and beneficiaries to adjust project cost	IFAD / NPCU / ADP / SFD	Mid-term review
20. To organize targeted training to further build the NPCU and ADP accounting and financial staff capacities on IFAD requirements at central and regional level	NPCU	28 February 2017
21. To estimate at the end of each fiscal year the contribution of the beneficiaries and the contribution in kind of the implementing partners (Government, SFD and ADP)	NPCU/SFD/ADP	From now onward
22. To produce quarterly financial reports by component, sub component, category and by financier, and on monthly basis and share these with concerned stakeholders and IFAD	NPCU	From now onward
23. To prepare realistic AWBPs	NPCU/SFD/ADP	2017
24. To submit a WA for grant replenishment	NPCU	31 Dec. 2016
25. To prepare bank reconciliation statements on monthly basis	GPCU / NPCU	From now onward
26. To follow up closely with GOE to ensure adequate allocation and timely flow of funds	NPCU	From now onward
27. To review the payments done to Al-Zanaty & Associate on the grant and explain why they were higher than the amount	NPCU	31 December 2016

mentioned in the IFAD NO		
28. To submit the project audit report for the FY 2015/2016	NPCU	31 December 2016

F. Sustainability

97. Institutional sustainability. Institutional sustainability of all actors involved in financial services is secured. They all make a surplus from operations, and their services are still sought by client and target groups. At the level of MFIs, a key issue is that financial reporting is very underdeveloped, as described by previous missions: MFIs do not prepare balance sheets and income statements in the formats commonly used for the purpose, and where records are kept, those related to the microfinance activities are not clearly separated from other (mostly charitable) activities.

98. The sustainability of FMAs supported under PRIME cannot be assessed at present, as no data on their activities are available. Positive signs are that some groups have started to set aside an amount from the sales of produce to cover the expenses of the association. This is a very positive move and should be further encouraged. The situation in the primary production cooperatives and farmer groups is more difficult, as primary cooperatives are subject to a very rigid and limited scope of activities, which for example prohibits them from opening an ordinary bank account without the approval of the authorities. Current laws and regulations prevent them from collecting surplus in bank accounts, which does not permit them to establish track records. As financial records are kept at the level of secondary societies, primary societies do not have records show to banks. In this situation, they do not and cannot qualify for loans from the financial sector. The only way out here seems to be the adoption of a recognized legal status outside the cooperative framework, but few rural farmers would be able to run a company in accordance with legal norms. In this situation, solutions such as linking MFIs and FMAs through simple value chain models as outlined in para 16 above, appear as the only promising approaches for the meantime.

99. Social sustainability (Empowerment). Most of the MFIs supported under UERDP have clear policies as regards the inclusion and empowerment of women, and those seen in the new five governorates do the same. It is obvious that commercial banks in Egypt supported under the SME finance solutions do not pursue such objectives. Under the marketing components, some new FMAs only composed of women have been created, which may eventually turn out to be a promising avenue for wider social sustainability and empowerment.

100. Economic and financial sustainability. The results achieved so far are very positive. All financial institutions have solid systems to support only those projects that are economically and financially sustainable.

101. Technical sustainability. This is not a matter of concern in the PRIME context, as all financial institutions have systems to ensure only technically sustainable projects are approved. In the case of ADP, the institution has retained the part-time services of more than 25 experts, which appraise the technical feasibility of all ADP loan proposal. The same applies to the marketing activities, which has in-built systems to check the technical feasibility.

102. Environmental sustainability. Most of the loans are apparently for environmentally safe projects, with comparatively low levels of use of inorganic fertilizers and agrochemicals. Where farmers have been linked with processors and exporters, these apply relatively strict norms of compliance with safety standards and good agricultural practices. A cooperation agreement with an Egyptian association providing training on IPM, safety standards and practices regarding agricultural inputs will enhance environmental sustainability further. No progress has been achieved by introducing environmental checks in the financial sector, notably banks. As long as these will not be made mandatory, or demanded by the general public, it may not be possible to advance much further.

103. Exit strategy. No exit strategy will be required as regards SFD and ADP, and as regards the banks that receive loans under the project. As regards MFIs, the key issue is whether other institutions would be able to provide capacity development to them after the closure of the PRIME

project. It is evident that their needs for support will not end by the year 2020. A positive element here is that SFD will, *ceteris paribus*, continue to provide finance to MFIs long after this date. The key concern here is the sustainability of FMAs. It is expected that their assessment as recommended above will provide insights into their capacity, which will then pave the way for further support activities and a proper exit strategy.

G. Impact

104. Physical and financial assets. At this stage, it is not possible to determine any increase in physical and financial assets. Judging from the projects funded by NBE and from the MFIs operating in the project area, a significant increase of physical and financial assets is highly likely for most, but not all borrowers. The same applies as regards **food security** and **increase in incomes**.

105. Policy impact. The creation of the LAC should be seen as a very positive move, not only as it paved the way for accelerated disbursement, but also because of the expression to decentralize some of the powers concentrated on the person of a minister. The capacity of the NPCU to generate a public dialogue on the legal, social and financial environment under which small farmers conduct their business and lead this to success may not entirely exist at present.

106. Other impacts. In order to establish any impacts achieved so far, it would be necessary to conduct a preliminary impact assessment prior to the forthcoming mid-term review.

Agreed action	Responsibility	Agreed date
29. To undertake a first impact assessment of the PRIME project prior to the MTR	NPCU	Results available by 31.5.17

H. Conclusion

107. Given the low disbursement levels, the absence of any significant implementation activities as regards microfinance and marketing, and in view of the significant capacity constraints on the side of ADP, the PRIME project was classified as problem project by IFAD.

108. Since the last supervision mission about one year ago, the GOE has undertaken significant measures to address the key weaknesses and inadequacies: (1) a number of far-reaching structural adjustments have paved the way for a correct and rapid flow of loans from ADP to potential investors; (2) SFD has started to process the first loan applications coming from MFIs after the completion of the licensing exercise necessitated by the 2014 law on microfinance, which had brought all lending activities to a halt; (3) the recruitment of a Marketing Advisor has opened avenues for a properly structured and outcome-oriented cooperation with marketing groups and associations; and (4) the approval to allocate an amount of USD 2.3 million for highly specific capacity development measures needed in the implementation process. Furthermore, ADP has met the disbursement target set by the previous supervision mission, and could have exceeded it if more funds would have been available by then. In addition, through a Letter to the Borrower, IFAD has raised the ceiling for fund transfers from USD 1.25 million to USD 4.0 million. ADP also complied with the condition of hiring adequate staff, in particular a financial manager deployed by the MALR, which is to receive training on FM, in particular WAs, before the end of 2016. These achievements were made possible through the active engagement of and support by the Minister of Agriculture and Land Reclamation and the Minister of International Cooperation.

109. The outlook for ADP disbursements under PRIME thus look positive, and justify the expectation that ADP will meet the disbursement targets. These improvements warrant a revision of the classification of the PRIME project.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Egypt	Project ID	1571 [1100001571]	Loan/DSF/Grant/ASAP FI No.	1000004150, 1000004151
Project	Promotion of Rural Incomes through Market Enhancement Project			Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	11-Nov-2016				
Supervising Inst.	IFAD				
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	6		
Last Supervision	13-Nov-2015	Last Implementation Support/Follow-up mission	22-Sep-2016		

					USD million	Disb. rate %
Approval	13-Dec-2011			Total financing	108.22	
Agreement	10-Apr-2012	Effectiveness lag	4.0	IFAD Total	71.00	
Entry into force	10-Apr-2012	PAR value	-----	IFAD loan	70.00	28
First disbursement	20-Nov-2014			DSF grant		
MTR		Last amendment		IFAD grant	1.00	20
Original completion	30-Jun-2020	Last audit		ASAP grant	0.00	0
Current completion	30-Jun-2020			Domestic Total	37.22	
Current closing	31-Dec-2020			Beneficiaries	17.74	0
No. of extensions	0			National Govern	7.55	0
				Other Domestic	11.93	0
				External Cofinancing Total		

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	3	4
2. Acceptable disbursement rate	4	4	2. Performance of M&E	3	3
3. Counterpart funds	3	2	3. Coherence between AWPB & implementation	3	4
4. Compliance with financing covenants	3	4	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	3	4
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Marketing Support	3	4	1. Institution building (organizations, etc.)	3	3
2. Rural Finance	3	4	2. Empowerment	3	3
			3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	4	4

B.5 Justification of ratings

The project implementation started in 2013 and in the midst of the political volatile situation, the start-up workshop was held in December 2013. However, IFAD was able to make the first disbursement only in December 2014, with first approved AWPB in June 2014. The low ratings were due to a low disbursement rate of the IFAD loan, which were in turn due to an inadequate capacity and preparation on the side of ADP, the new law on microfinance, which prohibited SFD from lending to MFIs before these had received a new MFI license, and to the absence of professional staff handling the marketing activities. These and some other constraints have been removed, with the effect that disbursements have begun, reaching a good level by the time of the mission, and that a first phase of testing approaches under the marketing component has been satisfactorily concluded.

The only deterioration of rating was necessitated by the declining level of counterpart contributions by the GOE, which has been caused by a general liquidity and revenue crisis within the entire government, and which has affected the entire public sector, including bilateral and multilateral projects. Improvements have been noted as regards compliance with financing covenants, project management and quality and coherence of AWPBs. Project management improved significantly with the recruitment of an Assistant Coordinator in May 2016. With the recruitment of a Marketing Advisor, the marketing component has become much more dynamic. SFD agreed to conduct the evaluation of the innovative Sohag experience with input financing together with the Marketing Advisor early next year, which will hopefully lead to a wider application of the model and its further refinement. This and other cases also led to an improved rating of innovation and learning. Performance improvements are also noted in the implementation of the two technical components.

A higher ratings would be possible if the project would be managed by a team of full-time and adequately paid professionals, who had no job other than managing the project. The PRIME project is thus affected by the same structural deficiencies as UERDP.

Overall Assessment and Risk Profile

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

Rationale for implementation progress rating

Significant progress has been achieved as a result of the interventions of both the Minister of Agriculture and Land Reclamation and the Minister of International Cooperation. These have established an appraisal and supervision system that permitted to start disbursement of loans to the agricultural sector, leading to an approval of loans by the ADP alone of EGP 250 million between February and November 2016. The NBE, which has operated under an agreement with SFD, has also performed very well, with average loan amounts disbursed much below the permitted ceilings, and with a good focus on the inclusion of women. The marketing component has also done very well with the recruitment of a full-time marketing advisor. Though the project has been moved from the status of problem project (unsatisfactory) into moderately satisfactory, nevertheless, project is still considered a borderline risk project and the implementing partners need to invest more effort in order to put the project into a sustainable path.

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

Rationale for development objectives rating

Given the structural and procedural changes above, and the reallocation of funds within SFD (i.e. increasing bank lending from USD 14 million to USD 21 million, and reducing the allocations for microfinance from USD 21 million to USD 14 million accordingly), the probability that SFD will disburse all loan funds received under PRIME is very high. With the arrangements recommended during the mission, the full amount of USD 14 million can and will be made available to the MF sector, be it through direct lending by SFD to CDAs/MFIs, or through intermediary banks, which are keen to receive funds. With the restructuring of the appraisal process in ADP, the path is set for a disbursement of about USD 8 million per year through the CIB. In case that the PBDAC, now EAB, would, along with its own restructuring process, become again a recognized partner under PRIME, the probability that all ADP funds would be disbursed to micro and small investors would be very high.

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

Fiduciary aspects	Continued insufficient contribution by GOE as per the Financing Agreement would jeopardize the achievement of the development goal, in particular if payment of costs for services or staff could not be made from the IFAD grant or the part of the loan dedicated to capacity development.
Project implementation progress	As regards rural financial services, the main challenge is for SFD to accelerate loan disbursement to CDAs/MFIs over the next three years, be it directly or through selected intermediaries. As regards the marketing component, progress will first of all depend on the fast recruitment of one more marketing

	advisor and of two junior marketing facilitators, and second their concentration on facilitating sales agreements between farmer groups and buyers, processors and exporters.
Outputs and outcomes	The limited progress in linking Farmers Marketing Associations (FMAs) to markets, especially commercial operators may create a risk when it comes to members' willingness to remain engaged in these associations.
Sustainability	The main risk would be the sustainability of FMAs, which would depend on (1) the extent and (2) quality of capacity development provided, and on (3) the proper orientation of FMAs towards business and sustainability. Many of the licensed MFIs supported under the project will not be able to continue their microfinance activities, if standard performance and financial reporting conditions would be established.

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

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Indicators	Units of Measurement	Baseline	SV Achievement Nov 2016	End Target	Information Sources	Frequency	Responsibility	
Project Goal: Rural poverty is reduced in seven governorates of Lower and Upper Egypt	Prevalence of Rural Poverty in targeted Governorates, disaggregated by gender	Percentage points	52% of the rural population of Egypt estimated to live below the poverty line (PDR)	NA yet (Impact Survey)	Reduction in the share of rural people living in poverty in targeted governorates	Secondary (National Statistics; Egypt Poverty Assessments MDG/ SDG Report; etc.)	The status of GOAL indicators should be reported twice during the project life-cycle as follows: a) during year 1 (benchmark/baseline); b) before Completion	The PRIME National Project Coordination Unit (NPCU) is responsible to collect the secondary and primary information that is needed to report on the status of the selected Goal Indicators	-Political stability; - Government continues its commitment to poverty reduction and transformation of the agriculture sector in Egypt
	Av. Household Assets Ownership Index in targeted Governorates (RIMS-Level 3)	Percentage (to be reported as share of targeted HHS with improvement in household asset ownership, disaggregated by male and female headed HHS)	EGP 5,189 (Base Line 2015)	NA yet (Impact Survey)	Increase in the share of HHS reporting improvement in asset ownership in targeted Governorates	Project Impact Surveys			
	Prevalence of under 5 child malnutrition in targeted areas (RIMS-Level 3)	Percentage	Rural Upper E. 24.8 Rural Lower E. 17.6 (UNICEF Children in Egypt 2015)	NA yet (Impact Survey)	Reducing of child malnutrition	Secondary (WHO, UNICEF, FAO, National Ministry of Health, MDG report, etc.)			

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Indicators	Units of Measurement	Baseline	SV Achievement Nov 2016	End Target	Information Sources	Frequency	Responsibility	
Project Development Objective: Incomes of targeted HH increased	Av. annual income for 50,000 rural HH increase (head of HH disaggregated by gender and age) ³	EGP/Year	EGP 15,895 (2015 baseline assessment)	NA yet (Impact Survey)	20% increase in average HH incomes ⁴	Impact survey	The status of PDO indicators should be reported twice during the project life-cycle as follows: a) during year 1 (benchmark/B L);b) before completion	The NPCU is responsible to conduct Impact Assessment Surveys to periodically report on PDO Indicators	-Favourable government policies; -Prices are relatively stable
Component 1: MARKETING SUPPORT									
OUTCOME 1: Agricultural production and profitability levels (crops and livestock) of targeted beneficiaries are raised sustainably	Increase in agricultural and livestock production (RIMS 2.2.2, 2.4.1)	RIMS Ranking from 1 to 6, where 1 is "highly unsatisfactory" and 6 "highly satisfactory (to be assessed based on the number of targeted HHs reporting production/profit increase)	Plant Production: The main crops perceived by farmers as the most profitable: Tomato (18.0 T/F) Potato (10.9 T/F) Onion (15.0 T/F) Garlic (10.0 T/F) G. Bean (3.2 T/F) Okra (3.7 T/F) Pomegranate (9.04 T/F) Citrus (9.5 T/F) Banana (19.3 T/F) (The Central Agency for Public Mobilization and Statistics – Statistical Year Book 2012 – 2013). Livestock Production	Tomato (18.7 T/F) Potato (11.6 T/F) Onion (16 T/F) Garlic (11.1 T/F) G. Bean (5.6 T/F) Okra (6.8 T/F) Pomegranate (12.50 T/F) Citrus (15.1 T/F) Banana (19.5 T/F) (Crop Mapping Survey 2016) Cows: 1000-1100 Kg/	RIMS ranking reaches 5 or 6	-M&E Progress Reports -Impact surveys	On an annual basis	M&E Unit	Minimum disruption in the agriculture sector

3 The intention of age disaggregation is to capture impact on the youths, especially, but not limited to increase in employment. The age range of youths for the employment effect is 18 to 35 years of age. Registration forms for the various project activities may ask for age, or for Yes/NO response to a question whether the applicant is a youth (aged between 18 and 35), whichever is more practicable.

4 The EFA at the time of design has estimated that HH incomes can be increased between 20% and 60% as a result of improved marketing. Not all targeted HH, however, are producing for market, nor will all targeted HHs be able to participate in or benefit from marketing activities introduced by the project, and not all participants in training will obtain a loan to finance their investments. Thus, for the impact indicator HH income which will be measured for all 50,000 targeted HH, the end target increase in av. HH incomes has been lowered from 40% to 20%.

Results Hierarchy	Indicators					Means of Verification			Assumpti ons
	Indicators	Units of Measurement	Baseline	SV Achievement Nov 2016	End Target	Information Sources	Frequency	Responsi bility	
	Likelihood of sustainability of the marketing groups formed or strengthened (RIMS 2.4.4)	RIMS ranking from 1 to 6 (to be assessed based on the number of groups able to generate a profit from operations after 3 years)	Cows: 1000 Kg/ Lac. season (Av 5 Kg/d) Buffalo: 1200-1400 Kg/ Lac. season (Av 7 Kg/d) (SFD Website-Milk Collection Center Feasibility Study). The baseline data is considered as “zero” basis	Lac. season Buffalo: 1200- 1400 Kg/ Lac. season Assessment will take place in preparation for the MTR.	8,400 farmers are organized in functional and sustainable associations ⁵ to change substantially the rural income structure of all actors involved				
	Farmers' post-harvest losses and unsellable share of produce.	Percentage	15 – 45% IFAD Report - Cold chain facility for small farmer's produce in Upper Egypt 2015.	10-42% (Post harvest Education Foundation Sep 2015). Accurate data will be collected via the Farming Systems Program)	Reduce post-harvest losses by more than 50%; Reduce unsellable share of produce to 10%	FO to establish database with statistics; HH Impact surveys	Seasonally (once every year in selected value chains)	M&E Unit	
	Av. prices ⁶ of key products in targeted areas	EGP	Av. Price in EGP/Kg: Tomato (1), Potato (2), Onion (1.2), Garlic (5), Green Bean (3.5), Okra (3.5), Citrus (2), Grapes (3) and Pomegranates (6.5) (Obour Wholesale Daily Prices Report –July 2015)	Av. Price in EGP/Kg: Tomato (2), Potato (3.5), Onion (3), Garlic (17), Green Bean (4.25), Okra (11), Citrus (2), Grapes (3.5) and Pomegranates (5) (Obour Wholesale Daily Prices Report – Nov 2016)	Sales prices increased by at least 30% by mid term	-Project M&E reports -Buyers' contract information (prices paid for products) -HH Impact surveys	On an annual basis	M&E Unit	

5 Original target of '20,000 farmers organized in 500 associations' is unrealistic; also for UERDP this target was changed. Following the same assumptions as for UERDP, the target is set to on average 30 groups/organizations per governorate and on average 40 members per group/organization.

6 Indicator is changed from 'farm-gate' price to 'price'. In the Egyptian context, farming produce is not sold at 'farm-gate', but at collection points, or at later stages in the 'value adding chain' process. The essential point of this indicator is that sales prices increase, no matter where they are realized.

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Indicators	Units of Measurement	Baseline	SV Achievement Nov 2016	End Target	Information Sources	Frequency	Responsibility	
Output 1.1: Strengthening of Farmer Marketing Organizations	-Marketing groups formed/ and strengthened (RIMS 1.4.4) -Members in marketing groups, by gender (RIMS 1.4.5)	- No. of organizations strengthened -Membership of strengthened organizations (total number of men and women)	The baseline data is considered as "zero" basis	131 farmer organizations /associations strengthened with a total number of 38,084 men and 11,112 women (22.6%).	200 farmer organizations /Associations ⁷ strengthened with 20% of their membership being female	-Project M&E reports	On a quarterly basis	M&E Unit	Farmers' organisations function properly and roles are recognised by authorities
	-Members of Farmer Organizations trained in post-production, processing and marketing and income generating activities (RIMS 1.4.1, 1.5.3)	Number	The baseline data is considered as "zero" basis	Total 3,302 (M 2,780 & F 522) 15.8% females	-2,300 members of supported farmer organizations provided with training, of whom at least 400 are women	Project M&E reports	On a quarterly basis	M&E Unit	
Output 1.2: Training and capacity building in production technologies, required standards, use of cultivars and other marketing activities.	Number of types of (a) training and (b) capacity building: - identified; and delivered. Number of individuals involved in farming and non-farming activities trained and whose capacity to deliver the produce at expected quantity and quality levels has been enhanced.	-Number and quality of identified capacity building measures; -Implement feed-back assessments for participants & report on ratings 1 to 6. -% of contractual arrangements of FOs continued at least for 2 cropping seasons. -Farmers' success to sell to contractors or buyers	Baseline data is set to "zero"	<ul style="list-style-type: none"> Strengthening of FMAs (28 sessions); Market Intelligence (44 sessions); Value Chain Linkages (38 sessions); and Market Oriented Production (45 sessions). -Feed-back assessments for participants will be made at the end of PY3. - All contracts made effective starting from winter cropping season (July 2016); therefore the assessment will be carried out after the 2nd cropping season. -Farmers' succeeded to sell the following to contractors or buyers:		M&E reports Data from contractors (contract farming, wholesaler, or other) Data from packaging houses Data from Farmers' Organisations (they need to maintain databases with statistics)	Quarterly or 6-monthly, depending on product seasonality	PMU M&E Unit	

7 This target has been reduced from 300 Farmer Organizations (FO) to 200 FO and 25% female membership to 20% female membership. Also refer to footnote 3.

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Indicators	Units of Measurement	Baseline	SV Achievement Nov 2016	End Target	Information Sources	Frequency	Responsibility	
				Qena: -13.9 Ton of Banana (EGP 50,525); -26 F (260 Ton) of Onion (supply in March 017); Menia: -9.5 F (142.5 Ton) of Onion , supply in March 2017 (EGP 142,500); Beni-Suef: 2F (30 Ton) of Onion, supply in March 2017.					
COMPONENT 2: RURAL FINANCE									
OUTCOME 2: Increased access to sustainable financial services in project targeted areas for enhancing rural investments.	Effectiveness of improved access of the poor to financial services (RIMS 2.3.2)	No. of people, groups and enterprises accessing financial services in project targeted areas	SME: 93,307 MF: 1,022,297 (SFD Annual Report 2015)	SFD-SME: 1,360 SFD-MF: zero (SFD Prog. Report 2015-2016) ADP: 8 companies (ADP Prog. Report 2015-2016).	To be defined	-Project reports M&E	On an annual basis	M&E Unit, SFD and ADP/CIB	Financially attractive investments available
	Sustainability: Improved performance of the financial institutions (RIMS 2.3.3)	-Portfolio at risks; -Operational self-sufficiency of MFIs and ROA of banks; -Active borrowers/ personnel -Operating expenses ratio	Operational self-sufficiency of MFIs and banks : Cost Recovery for 2015 = Operating revenue / Operating expense = (659 972 107/387 725) = 1.7	Not available yet	RIMS ranking reaches 5 or 6.	-Project reports M&E	On an annual basis	M&E Unit, SFD and ADP/CIB	
	Number of full-time job equivalents generated by SMEs in project targeted areas (RIMS 2.5.1)	No. of new employ-ees, disaggregated by gender, age& type of employment (part/full time)	No. of new employees: Full time: 296,759 Part time: 89,762	SFD-SME: Permanent: 2,345* Temporary: 379* SFD-MF: NA ADP: NA	To be defined	-Project reports M&E -Impact Surveys	On an annual basis	M&E Unit	
Output 2.1: Strengthening of financial service	Staff of banks and non-bank fin. institutions trained, by gender (RIMS 1.3.5)	No. of women and men	Baseline data is set to "zero"		To be defined or extracted from the PDR	Project reports M&E	On a quarterly basis	M&E Unit, SFD and ADP	Identified commercial banks and NBFIs

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Indicators	Units of Measurement	Baseline	SV Achievement Nov 2016	End Target	Information Sources	Frequency	Responsibility	
providers in project targeted areas	Gross loan portfolio disbursed and outstanding, by PFI type (RIMS 1.3.10, 1.3.11)	EGP	Operating expenses ratio for Gross Loan Portfolio for 2015 = 3.3%	SFD-SEDO: USD 14 M. ADP-CIB: USD 2,172,522		-Project reports M&E	On a quarterly basis	M&E SFD ADP Unit, and	interested in participating in the Project
Output 2.2: Loans disbursed to farmers, (unemployed) youths, groups and SMEs from project resources	Number of active borrowers (individuals) from PFIs, by gender, age and type of PFI (RIMS 1.3.8)	No. of women and men, by age and employment status	Baseline data is set to "zero"	SFD-NBE: (858 males & 502 females) Farmers. ADP-CIB: 8 Agricultural Companies.	About 6,000 women are granted loans for livestock production; About 30,000 clients of whom 40% access more than one loan	Project reports M&E	On a quarterly basis	M&E SFD ADP Unit, and	
	FI participating in the project, by type (RIMS 1.3.4)	Number	Baseline data is set to "zero"	-NBE (SFD-SEDO) -3 MFIs (SFD-MF) -CIB and 5 partner banks (ADP Medium size loans)	To be defined or extracted from the PDR	M&E reports	On a quarterly basis	M&E Unit	
	Number of active borrowers (enterprises) from PFIs, by type of PFI (RIMS 1.3.9)	Number	Baseline data is set to "zero"	SFD (NBE contract: 1,360 farmers. ADP (: 8 enterprises)	Repeat loans taken by 25% of about 1,123 SME clients and by 10% of 174 medium clients	Project reports M&E	On a quarterly basis	M&E Unit	

- Refers to job opportunities identified in loan applications

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

Action Area	Action Agreed	Date	Whom	Progress
Project Implementation	1. To appoint an alternate for the Minister of Agriculture and Land Reclamation to attend meetings of the BOT of ARDF in his absence	31.12.15	MALR	Completed
	2. To change the ARDF revenue sharing formula for capitalization and use for research, by introducing a system that favours lending activities, not deposits in banks	1.2.16	ADP Board of Trustees	Not addressed
	3. To share with IFAD and the NPCU the audited financial statements for the past three years and all future years of participation under PRIME	15.12.15 and then annually upon completion of audit	ARDF Executive Director	Not addressed
	4. To conduct a refresher awareness creation for NBE branch staff in the governorates, to be combined with some technical training on modern tools of financing agriculture and value chains.	To be completed by 1.2.16	SFD, NBE, NPCU	Not addressed, but overtaken by events
	5. To conduct a capacity assessment combined with a needs assessment for capacity development of CDAs in the seven governorates	To be completed by 1.4.16	SFD	Not addressed
	6. To assist MFIs to better analyze and understand their own financial situation by changing the reporting approach showing the evolution of the MFI over the year along key performance parameters, in addition to the mere output oriented current reporting system	31.12.15	SFD	Not addressed
	7. To assess the options for developing a common MIS for smaller MFIs in collaboration with MFIs, EFSA and the Egyptian Union of Microfinance (EUMF), which can be locally supported at lower costs than current systems	by 31.1.16	SFD	Not addressed
	8. To recruit a Marketing Advisor	As soon as possible	NPCU	Completed
	9. To prepare monthly activity plans against work plans and targets, and submit these to the NPCU and the IFAD Country Programme Officer	At the end of each month of service till completion	Marketing Advisor	Complied with
	10. To facilitate a study tour for a few professionals in the field of marketing to Morocco, eventually complemented by one or two key persons from the PFIs	2 nd quarter of 2016	NPCU	Not implemented due to lack of funds; appropriateness to be discussed again in 2018

Outputs Sustainability Fiduciary Aspects	11. To undertake a due diligence of the ARDF, to be financed from its own resources, and determine adjustment needs in terms of legal status, institutional set-up, staffing, business model, operations, fund management, accounting, overall risk management, safeguards, monitoring, reporting and audit, and share this with the MALR, NPCU and IFAD.	31.1.16	ARDF	To be addressed in the 1 st quarter of 2017
	12. In case additional staff would be needed, to agree with the MALR on a salary level that would permit attracting qualified staff	15.2.16	ADP, MALR	Not addressed
	13. To assess the potential and actual relevance and impact of value chain and marketing interventions of different partners on the poor and low income groups, document the results in notes, and ensure that commodities and operations are included that have a potential positive impact on the poor	Ongoing till completion	NPCU/Marketing Advisor, with FMAs and commodity groups and private sector partners	Ongoing
	14. To assess the compliance of investors funded under the project with environmental standards and norms, and seek redress in case these would not be respected	As from January 2016 till project completion	NPCU	Not addressed, not likely to be complied with
	15. To request the internal audit department to include an end-use check of borrowers as part of their annual work programme	from now onward	SFD	Complied with
	16. SFD headquarters to work closely with NBE to clarify the agreement concluded on loan purposes, targeting, mode of collaboration, monitoring and reporting	31 December 2015	SFD, NBE	Complied with
	17. To produce financial and monitoring reports by component, sub-component, category and financier on a monthly basis and share it with concerned stakeholders	From now onward	NPCU	Not complied with
	18. To prepare realistic and achievable AWPBs	Continuously	NPCU, SFD, ARDF	Complied with
	19. To finalize the procurement and appointment of the external auditor	31 December 2015	NPCU	Complied with
	20. To urge the financial departments of SFD, ARDF and partner governorates to record their expenses related to the project and submit these in an agreed format to the NPCU on a quarterly basis	By 15.12.15 to start recording in the 4 th quarter of 2015	NPCU, SFD, ARDF, 7 Governorates	Not complied with
	21. To purchase a software package for accounting purposes	31 December 2015	NPCU	Not complied with; negotiations have been initiated by NPCU

Other	22. To either increase government funding of the PRIME through cash contributions or reallocate an amount of about USD 2.3 million for capacity development purposes under components 1 & 2, taken from the credit funds	1.3.16	MALR, MIC, MOF, IFAD	Complied with
	23. To recommend the re-allocation for ARDF to SFD, or to other suitable intermediaries, in case the disbursement rate under the facility by ARDF would not reach USD 1.5 million by May 2016 and USD 3.5 million by November 2016; this may include the CIB	15.5.16 and 15.11.16	IFAD Supervision Mission	As ADP complied with the disbursement target, recommendation is redundant
	24. Consolidate and analyze lessons learnt from project experience in a bimonthly report with a view to facilitate mutual learning and cross fertilization	First report by 31 February 2016, then every 2 months	NPCU on the basis of GPCU reports and experience at national level	Not complied with
	25. To validate the revised logical framework as presented in the attachment	31.12.15	GOE, IFAD	Complied with
	26. Draft a Project Implementation Manual and submit for approval	28 February 2016	NPCU	Not complied with

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

Component/ Sub-component or Output		Indicator	Unit	Period: 1.07.2015 to 30.06.2016			Cumulative Actual	Appraisal Target	%
				AWP&B	Actual	%			
Component (1): Marketing Support Component									
Output 1.1: Strengthening of Farmer Marketing Organizations	Sub-component (1.1.1) Organizing and Strengthening Farmer Groups / Associations	-Marketing groups formed/ and strengthened (RIMS 1.4.4) -Members in marketing groups, by gender (RIMS 1.4.5)	- No. of organizations strengthened -Membership of strengthened organizations (total number of men and women)	80 (of them 6 women marketing org)	130		200 farmer organizations /Associations strengthened with 20% of their membership being female		
	Sub-component (1.1.2)Market Intelligence		394 of them 129 women (32.4%)	324 of them 261 women (18%)			-2,000 people trained in business & entrepreneurship (RIMS)		
	Sub-component (1.1.3)Value Chain Linkages	-Members of Farmer Organizations trained in post- production, processing and marketing and income generating activities (RIMS 1.4.1, 1.5.3)	Number 1500 472 of them 77 women (16.3%)	-2,300 members of supported Farmer Organizations provided with training on post production processing and marketing, of whom at least 400 are women (RIMS)					
Output 1.2: Training and capacity building in production technologies, required standards, use of cultivars and other marketing activities.	Sub-component (1.2.1) Market-Oriented Production	Number of types of (a) training and (b) capacity building: identified; and delivered.	of identified capacity building measures; Participation in 3 Ag.	10 Introductory Meetings, 31 Meetings to define marketing opportunities, Exhibitions.	Tr. Sessions, 7 Inst. Assess, 10 Introductory Meetings, 31 Meetings to define marketing opportunities, Exhibitions.	NA			
			-Implement feed- back assessments for participants report on ratings 1 to 6	Assessment made for all training sessions					
		Number of trained individuals	689 of whom 131 females (17.9%)	979 of whom 150 women (15.3%)	600 (4,100 men and 2,000 women) trained in crop				

Arab Republic of Egypt
Promotion of Rural Incomes through Market Enhancement Project
Supervision report - Mission dates: 11-24 November 2016
Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Component/ Sub-component or Output	Indicator	Unit	Period: 1.07.2015 to 30.06.2016			Cumulative Actual	Appraisal Target	
			AWP&B	Actual	%			
	type of PFI (RIMS 1.3.9)							

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

Table 5A: Financial performance by financier at 31-10-2016

Financier	Appraisal (USD '000)	Actual (USD '000)	Committed not yet paid	Total	% disbursement
IFAD Loan	70.000	15.390	2.018	17.409	24,9%
IFAD Grant	1.000	83	17	100	10,0%
Government	7.551	101	0	101	1,3%
ADP	10.927	0	0	0	0,0%
SFD	1.000	0	0	0	0,0%
Beneficiaries	17.742	0	0	0	0,0%
Total	108.220	15.574	2.035	17.609	16,3%

Table 5B: Financial performance by financier by component as at 31-10-2016 (USD '000)

Component	IFAD Loan			IFAD Grant			Government			ADP			SFD			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A Marketing Support Component	0	0		948	28	3%	1.987	0	0%	9.648	0	0%	404	0	0%	0	0		12.987	28	0%
1 Strengthening formation, of farmers' marketing group	0	0		455	14	3%	627	0		2.376	0			0		0	0		3.458	14	0%
2 Market intelligence	0	0		206	0	0%	762	0		2.843	0			0		0	0		3.811	0	0%
3 Value chain linkages	0	0		217	4	2%	96	0		375	0		404	0		0	0		1.092	4	0%
4 Marketing oriented production	0	0		70	10	14%	502	0		4.054	0			0		0	0		4.626	10	0%
B Rural Finance Component	70.000	15.390	22%	52	0	0%	45	0	0%	971	0	0%	288	0	0%	17.742	0	0%	89.098	15.390	17%
1 Mkting-based credit research & development	0	0		0	0		45	0		584	0		272	0		0	0		901	0	0%
2 Credit facility	70.000	15.390		52	0	0%	0	0		0	0		0	0		17.742	0	0%	87.794	15.390	18%
3 Strengthening financial institution	0	0		0	0		0	0		387	0		16	0		0	0		403	0	0%
C Project Management & Coordination Unit	0	0		0	55		5.519	101	2%	308	0		308	0		0	0		6.135	156	3%
1 National Project Coordination Unit	0	0		0	34		1.258	96		78	0		78	0		0	0		1.414	130	9%
2 Governorate Project Coordination Units	0	0		0	21		4.261	5		230	0		230	0		0	0		4.721	26	1%
Total	70.000	15.390	22%	1.000	83	8%	7.551	101	1%	10.927	0	0%	1.000	0	0%	17.742	0	0%	108.220	15.575	14%
* Government including ARDF & SFD																					

Table 5 C a: IFAD loan disbursement as at 15-11-2016 (SDR '000)

Category	Initial Allocation (1)	Disbursement (2)	WA pending (3)	Balance (4) = (1) -	% disbursement (2)/(1)
Authorised allocation Designated account SFD		2.789	0	-2.789	100%
Authorised allocation Designated account ADP		852	0	-852	100%
Credit facility	44.140	8.908	0	35.232	20%
Total	44.140	12.549	0	31.591	28%

Table 5 C b: IFAD grant disbursement as at 15-11-2016 (SDR '000)

Category	Allocation (1)	Disbursement (2)	WA pending (3)	Balance (4) = (1) -	% disbursement (2)/(1)
Advance of funds		128	0	-128	100%
Studies, workshop & training	630	0	0	630	0%
Total	630	128	0	502	20%

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B Para 7	There shall be three Project accounts for the benefit of the NPCU, the ARDF, and the SFD	As soon as possible	Complied with	
Section 7.01 Para ii & iii	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	Partial Compliance	The NPCU submitted an AWPB for the FY 2015/2016, but the consolidated AWBP does not show the budgeted amount by sub-component for component.
Section B Para 8	The Borrower shall make adequate budgetary allocations for the Project in accordance with AWPB.	Annually	Partial Compliance	The GoE contribution is lagging behind the schedule agreed with IFAD.
Section 8.02	The NPCU shall establish and thereafter maintain an appropriate information management system in accordance with the Fund's Guidelines for project monitoring and evaluation with which it shall monitor the project, in accordance with this agreement		Partial complied	Only SFD has an information management system
Schedule 1, Para 6	Establish a NPCU in Cairo and appoint the national project coordinator and all positions following a transparent and competitive process		Complied with	
Schedule 1, Para 7	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.		Complied with	
Schedule 1, Para 10	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.		NA	Not yet due
Schedule 1, Para 8	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.		Not complied with	
Section 7.05	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 2.		Complied with	
Section 8.01	The borrower/recipient shall ensure that the project parties maintain records and documents adequate to reflect their operations in implementing the Project until the Project completion date, and shall retain such records and documents for at least ten (10) years thereafter.		Complied with	
Section 8.03	The NPCU shall furnish a periodic Progress Reports on the Project, in such form and substance as the Fund shall reasonably request.		Partial compliance	The quality of project progress reporting requires substantial improvement.
Section 9.01	The Project parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the project until financing closing date, and shall retain such accounts and		Complied with	The accounting is held on manual register by the NPCU

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	records for at least ten (10) years thereafter.			
Section 9.02	Submission of Financial Statements.	Within 4 months after the end of each fiscal year	Not Complied with	The NPCU did not submit yet the project financial report for FY 2015/2016.
Section 9.03	Audit Reports on project accounts of each year to be submitted to the Fund. Furthermore NPCU, through, 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	Partial compliance	The external auditor was hired by the NPCU

Appendix 7: Knowledge management: Learning and Innovation

Learning

SFD has provided farmers in Sohag governorate with a financing facility through a CDA permitting farmers to purchase seasonal inputs. This facility was provided in parallel to the ongoing loan to the CDA, and thus did not reduce, but increase the financial facilities. The loan permitted the CDA to purchase inputs on behalf of farmers who had a contract farming arrangement with an exporter of green beans. Farmers repaid the loan in kind to the CDA in cash within six months, so that the facility could be renewed for the next season. The experiment has been going on well for two years, and will soon be extended to the third year. Default has been practically absent.

The case seems to be unique for Egypt in the sense that CDAs with a MF license and a large number of farmers producing under value chain/contract farming arrangements are very rare. As a result, the geographical expansion of the model would need to be also conceptually. It would thus be useful to anticipate the splitting of the functions performed by the Sohag MFI between a MFI providing the finance and a cooperative, CDA or farmer group organizing farmers properly. It would be furthermore beneficial for all sides if the financial institution would receive the total amount paid by the buyer and deduct all amounts due by farmers directly before paying the balance out to farmers. This measure would ensure that the CDA/MFI and the farmers always keep clean records for their borrowing. This model could be pre-cursor for other similar value chain development and finance models, in a country where more complex arrangements covering more than two parties are rare.

Innovation:

There is a high interest among farmers in finding alternative avenues for their produce, other than the local markets with their high volatility of prices, and unknown demand of buyers. The marketing team would try in the next year to link prospective producers and buyers through a website run by professional service providers. In case this would work out for farmers, in particular those who could not find suitable contract farming arrangements with local processors, the project could finance the development of an app through which smartphone users could use these services. Provisions have already been made in the arrangements for capacity building measures to finance these developments if found promising.

Appendix 8: Revised Guidelines for PRIME capacity development

Requests for funding of capacity development measures under PRIME must be submitted in accordance with these guidelines.

All applications must be submitted in writing by a partner institution.

Applications for capacity development must comply with all the following eligibility criteria:

- a) Clear statement of objectives and results to be achieved through the measure;
- b) Clear link of the measures with the project and component goals;
- c) Approval in principle in the current AWPB;
- d) Significant co-funding by beneficiaries, e.g. in the form of self-covering of travel or accommodation costs, or co-financing of hardware to be purchased, etc.;
- e) Clear responsibility for the implementation of the measure, including monitoring, reporting and submission of claims/accounting;
- f) No delays in submitting all reports and statements as required under previous measures;
- g) Pledge to submit data for monitoring purposes as applicable.

All applications must clearly refer the component under which the activity is to be implemented, and the respective activity number as per Attachment 1.

For measures under components 1 and 2, the following expense items are eligible:

- a) Training, workshops and seminars for the target groups specified in the PRIME design documents;
- b) Exchange fora within Egypt;
- c) National and international technical assistance;
- d) Computer software for loan tracking and accounting, software installation and license fees during the first year after installation;
- e) Salaries and wages for up to two marketing advisors, two marketing facilitators and one assistant programme coordinator, plus their respective travel costs and per diems;
- f) Necessary office equipment of staff funded under the above item (e);
- g) Training of staff funded under the above item (e) and of staff deployed by the MALR to the NPCU;
- h) Allowances and transport costs of staff deployed by the MALR to the NPCU;

All applications must be submitted to the NPCU for first level approval. The Director of the NPCU certifies that a proposal has been approved at this level to be in conformity with the guidelines. The Director is authorized to approve proposals with total costs not exceeding USD 10,000.

All proposals with project costs exceeding an amount of USD 10,000 shall be submitted to a Capacity Development Committee (CDC). Its members comprise two representatives of the MALR and one representative of the MOIC, to be appointed by their respective Ministers. To the extent possible, the CDC shall not meet but receive and approve proposals by email. The Assistant Coordinator in the NPCU shall serve as secretary to the CDC.

For the purposes of simplification, the NPCU shall where feasible bundle applications to reduce processing time. It is not permitted to split activities over several smaller applications to circumvent the CDC or IFAD approval.

Any single proposal with costs above the equivalent of USD 50,000 requires the prior non-objection of IFAD.

All major measures and cost items to be covered in a proposal should be listed in the current AWPB.

In the case of loan tracking systems including an accounting package, each MFI shall make a financial contribution to the total costs, including software, hardware, modem, installation and license fees, of 50% of the total costs. The respective MFI is to make its full financial contribution in cash prior to any payment to be made from PRIME resources.

In cases where half of the total net profit made by the MFI over the past two financial years would not suffice to make the above cash contribution of 50% to the total costs, the respective share shall be reduced to 30%. MFIs not able to make even this reduced contribution are not eligible for computerisation support.

Applications are to be submitted to the NPCU in the format below.

Name of applicant:	Application no.: /201
Institution of applicant:	
Support sought under component /sub-component <input type="checkbox"/> Marketing Support Component <input type="checkbox"/> Subcomponent on: Organising and strengthening Farmer Groups/Associations <input checked="" type="checkbox"/> Subcomponent on: Market Intelligence <input type="checkbox"/> Subcomponent on: Value Chain Linkages <input type="checkbox"/> Subcomponent on: Market Oriented Production <input type="checkbox"/> Rural Finance Component <input type="checkbox"/> Subcomponent on: Market Based Credit Research & Development <input type="checkbox"/> Subcomponent on: Credit Facility <input type="checkbox"/> Subcomponent on: Strengthening Financial Intermediaries <input type="checkbox"/> Project Management Component	
NB: Double click on a box and activate or deactivate as appropriate	
Support linked with the following activity number of the exemplary capacity development measures:	
<input checked="" type="checkbox"/> Marketing Support Component <input type="checkbox"/> Activity 1: Salary for 2 Marketing Advisors and 2 Marketing Facilitators and 1 Assistant Coordinator <input type="checkbox"/> Activity 2: Travel costs and per diems for MAs and MFs, and their office equipment <input type="checkbox"/> Activity 3: Technical training of farmers, FMAs, cooperatives, workers at packing stations, etc., including honoraria, travel costs and per diems for training experts <input type="checkbox"/> Activity 4: Cost of certification <input type="checkbox"/> Activity 5: Meetings, workshops, negotiation fora, technology briefings, investment briefings <input type="checkbox"/> Activity 6: Exposure visits <input type="checkbox"/> Activity 7: Feasibility studies on exports, transport, business opportunities, packing, value addition, etc. <input type="checkbox"/> Activity 8: Farmer Academy, selling and buying platforms for producers, internet apps and short video/audio streams covering agricultural production and marketing activities supported <input type="checkbox"/> Activity 9: Field demonstrations and Farmer's field days	
<input type="checkbox"/> Rural Finance Component <input type="checkbox"/> Activity 1: Technical training of CDAs/MFIs on financial service delivery <input type="checkbox"/> Activity 2: Coaching of CDAs/MFIs <input type="checkbox"/> Activity 3: Awareness creation and training of banks on agricultural/microfinance opportunities <input type="checkbox"/> Activity 4: Training of CDAs/MFIs on non-financial support services <input type="checkbox"/> Activity 5: Training of CDAs on serving the youth <input type="checkbox"/> Activity 6: Networking and exchange <input type="checkbox"/> Activity 7: MIS screening and tendering <input type="checkbox"/> Activity 8: Integrated software solutions for MFIs (net support after contributions) <input type="checkbox"/> Activity 9: Technical training of banks	
<input type="checkbox"/> Project Management Component <input type="checkbox"/> Activity 1: Salary for one Assistant Coordinator <input type="checkbox"/> Activity 2: Travel costs and per diems for one Assistant Coordinator	

<input type="checkbox"/> Activity 3: Office equipment for the Assistant Coordinator <input type="checkbox"/> Activity 4: Technical training of NPCU staff <input type="checkbox"/> Activity 5: Allowances and transport costs of staff deployed by the MALR to the NPCU	
Background and justification:	
Results to be achieved through the proposal:	
Contribution of the results to be achieved through the proposal to the project goal:	
Proposed activities to be carried out:	
Costs of activities and sources of funding and co-funding pledged by amount, incl. beneficiaries:	
Start date of activities:	End date of activities:
Implementation partners (if any):	
Deadline for submission of report (if any):	
Amount approved by NPCU:	
Date:	Date:
Signature:	Signature:
Name of approving officer:	Name of approving officer:
Amount approved by Capacity Development Committee:	
Date:	Date:
Signature:	Signature:
Name of approving officer:	Name of approving officer:
Non objection of IFAD for amounts above USD 50,000 per year:	
Date:	
Signature:	
Name of approving officer:	