Country context

Egypt has undergone dramatic political upheaval over the last four years, following long-simmering grievances over the lack of economic opportunities and political inclusion that led to a revolutionary uprising in early 2011. The Egyptian economy, which had seen a strong upward trend, has borne the brunt of the continuing instability. Agriculture plays a key role in the Egyptian economy; growth in this sector is not only important to growth in national income but also vital to employment growth, food security and poverty reduction. Agriculture in Egypt faces some critical constraints such as shortage of cultivable land and water. Population growth and climate change combine to increase the pressure on the limited natural resource base. There is, therefore, an urgent need in Egypt to expand new areas of growth and settlement in order to attract people from the overcrowded old lands and provide them with an opportunity for development and diversification of livelihoods. To spur this growth, the Government of Egypt has given access to reclaimed desert lands and provided rudimentary housing facilities to unemployed graduates and smallholder farmers displaced from old lands in successive waves. In addition to housing, the government has made a considerable investment in other types of infrastructure, including roads, primary and secondary canals, and drainage, estimated at over US$300 million. However, in some areas, the progress of resettlement and land development has been slow due to the lack of the full range of social and economic services that are required for successful settlement.
In other areas, the rate of settlement has been relatively higher, but the productive potential has not been fully realized due to the limited capacity of smallholder farmers either to organize themselves or to invest in the new lands and rural enterprises, or to diversify their livelihoods. The government has requested IFAD to share, based on its experience, a model of development that would assist these fragile new communities in succeeding. One of IFAD’s investment projects, the West Noubaria Rural Development Project (WNRDP) initiated in 2002, was able to demonstrate a successful approach to development on newly reclaimed lands. Based on this success, the government has requested IFAD’s assistance in scaling up this experience in other parts of the country.

IFAD prides itself on being the first among the government’s development partners to recognize both the plight of the smallholder settlers on the new lands in Egypt and the opportunities that project support could bring them. In fact, IFAD remains the pioneer development partner that supports projects in the new lands, despite extremely difficult conditions. IFAD’s interventions have already covered some 65 per cent of the new lands and, with the recently approved Sustainable Agriculture Investment and Livelihoods (SAIL) project, this coverage will increase to 87 per cent.

The impact of IFAD’s investments on the new land is evident and well recognized by the Government of Egypt; to date, IFAD projects have benefited some 1.3 million households or 7 million poor people, and covered some 188,000 hectares.

The scaling-up experience in Egypt

Drawing on the knowledge generated over the years, the successful experience of WNRDP is being scaled up, both through the newly-approved SAIL project and through continued policy engagement with the Government of Egypt.

WNRDP in a nutshell

This project is working with small-scale farming households and unemployed youth who were dispossessed of their statutory tenancies in the old lands and compensated with 1-hectare or 2-hectare holdings of reclaimed new lands. The project is helping them improve their housing and living conditions and adopt desert farming technologies that have been developed through Egypt’s agricultural research system.

The project helps about 36,000 families by:

- supporting adoption of better on-farm water management practices
- encouraging development of small and medium-sized enterprises in agricultural production and marketing
- providing marketing and extension information
- supporting development of a viable financial system and addressing the immediate need for financing of small and medium-sized enterprises.

Total cost: US$54.8 million
IFAD loan: US$18.5 million
Cofinancing: Food and Agriculture Organization of the United Nations (US$0.4 million), Italian Debt Swap (US$32.0 million)
Duration: 2003-2013 extended to 2014
Directly benefiting: 27,000 households

The implementation of WNRDP has prompted an increase in the settlement rate on the new lands from an initial 25 per cent to 100 per cent by the end of the project period; a fourfold increase in the average annual household income, which is now as high as US$8,300; an increase in farm-gate prices of up to 33 per cent; a decrease in irrigation costs by 25 per cent due to the enhanced managerial capacity of water user groups (WUGs); conversion from diesel to electric pumping and promotion of modern irrigation systems; a decrease in fertilizer use of up to 50 per cent where drip irrigation has been introduced and 75 per cent where a combination of organic manure and chemical fertilizers is used in conjunction with drip irrigation; the establishment of marketing associations, which assisted in increasing the marketed produce; and the establishment of collection centres for agricultural produce and the introduction of Global Gap certification.

The project was also able to help community organizations manage the health and education infrastructure in a sustainable manner and continue to provide these services beyond the life of the project.

There were four important elements in the project strategy that were deemed successful and are, therefore, being scaled up through the SAIL project:
1. **Cultivating a community spirit in the villages.** The project approach aimed to respond to community needs and priorities for education, health and other social services, as expressed by the participating community organizations. The management of these services is now undertaken by community development associations (CDAs), which fund their operations by levying user fees. Assured access to these services in the villages has encouraged settler households to migrate to the new lands and pursue livelihood activities. Thus, the rate of settlement rose from 25 per cent at the start of the project to nearly 100 per cent by the third project year. By project completion, the villages had evolved into harmonious, steadily growing and largely self-sufficient communities with shared aspirations and interests.

2. **Assisting settlers whose livelihood primarily depends on agriculture to improve farming profitability and food security and reduce poverty.** Profitability increases have been brought about by: (i) a significant increase in crop and livestock yields as a result of the dissemination of improved technical practices that respond to settler needs and priorities and are suited to the local conditions; (ii) changes in the cropping pattern in favour of high-value crops; and (iii) more profitable marketing arrangements due to the established marketing linkages and improved responsiveness to market signals. The success of this strategy element is clearly manifested by the commercial nature and diversity of the area’s farming enterprises and increased farm income.

3. **Promoting more efficient irrigation practices to both reduce production costs and conserve increasingly scarce water resources.** This strategy resulted in the conversion of over 60 per cent of the crop area to water-efficient drip and fixed sprinkler systems, thus contributing to the national objective of conserving and rationalizing irrigation water use while enabling farmers to improve crop management, realize increased crop yields and reduce production costs associated with irrigation, fertilizer and pesticide use.

4. **Improving settler access to sustainable financial services through an agent bank using an efficient, commercially-based mechanism.** This vital element of the strategy was unfortunately not as successful as it should have been, as the appointed agent bank – the Principal Bank for Development and Agricultural Credit (PBDAC) – proved incapable and/or unwilling to adequately shoulder its responsibilities. The project, therefore, modified this element of the strategy by creating, in parallel, a project unit to deliver loans to individuals and groups/associations using the Italian Debt Swap (IDS) Revolving Fund. However, while the IDS Revolving Fund mechanism has certainly improved smallholders’ access to finance, there are concerns regarding its financial and institutional sustainability.

The experience of WNRDP illustrates that, in order to be successful, the project approach must have certain essential elements, such as investments in both farm and non-farm sectors that provide rural communities with social and productive infrastructure, skills and institutions critical for the viability of the new settlements. A strong institutional base is a prerequisite for the proper identification, operation, maintenance and long-term sustainability of the infrastructure. While some of the institutional arrangements are those that the communities are familiar with, other arrangements are innovative and present an organizational challenge which is new but well within the management capacity of these fledgling communities.

The specific elements of the approach to be scaled up include the following:

- establishment and strengthening of community institutions to enable them to manage social-sector services in a sustainable manner
- strengthening of farmers’ cooperatives, water user groups and farmers’ marketing associations to enable them to manage productive infrastructure, financial services and marketing opportunities
- introduction of high-efficiency irrigation and energy-conserving technologies on new lands
- partnerships between farmers’ cooperatives and the private sector for market facilitation, including contract farming
- participation of women and young people in a diverse range of enterprises on the new lands.

WNRDP has also led to “institutional scaling up” as the government has adopted the WNRDP management model, using a competitive recruiting system versus the “governmental secondment system”.

Additionally, WNRDP has influenced policy changes since the government has returned to investing in rural infrastructure and socio-economic facilities despite its expensive cost against the tendency to provide rural finance lines with minimal cost for the government.

Furthermore, an innovative element of renewable energy is being tested to reach greater scale.

The scaling-up approach will focus on the new lands which have been slow to develop but could provide an important source of livelihood to poor and vulnerable households. The approach will be scaled up to
100,000 feddan (i.e. 42,000 hectares) spread over 30 settlements across the country. The approach is expected to cover around 40,000 rural households (i.e. 280,000 people) in the new settlements, as well as extend some support to the adjoining secondary areas that are engaged in the provision of social and economic services. The profile of the target group is one of poverty, food insecurity and vulnerability. In particular, women who have moved to the new settlements have limited opportunities to engage in productive work beyond the farm. The experience of West Nubaria tells us that women graduates, as well as women from small farmer households, play a critical role in the development of the new lands. Women are keen to participate in community activities and learning opportunities, and engage in rural enterprises. IFAD will scale up the participation of women, as well as enhance the level of their engagement. Moreover, in these new communities, there are virtually no facilities where young people could engage in higher learning, entrepreneurship, employment or recreation. Hence, the scaling-up approach will also target young people.

Future strategy for scaling up

Scaling up the development of new lands is confronted with several obstacles, including the lack of strong local institutions and private-sector actors to provide social, financial and marketing services. Lack of strong smallholder farmer organization is another key factor that the government now acknowledges as a major constraint to the development of new lands. Agricultural cooperatives have not fulfilled the critical need for local structures that are able to organize farmers, operate and maintain the irrigation infrastructure, and undertake collective marketing. There are few financial institutions willing to provide financial services in these areas and there are no special loan products developed for settlers on the new lands, entrepreneurs or young people. Through its policy advocacy and projects, IFAD strives to influence the policy of a range of institutions regarding service provision to these areas. Thus, IFAD succeeded in influencing the policy of PBDAC, which previously did not provide loans to households in the new lands. Similarly, IFAD is trying to influence the policy of the Social Fund for Development (SFD), which currently has no presence in the new lands. The low volume of individual production and lack of post-harvest and processing facilities are additional constraints for smallholders.

IFAD will use a multi-pronged scaling-up approach for the development of newly reclaimed lands that utilizes different pathways. To ensure effective change and wider impact, it is important to pursue the scaling-up approach within the context of a supportive policy framework, targeted investments through specific projects and the dissemination of lessons learned through a comprehensive knowledge management strategy.

The community and farmer organization models developed under WNRDP have proved to be very successful in operating and maintaining the schools, health centres, irrigation canals, and financial and marketing services for their members. However, the approach requires initial investment in infrastructure and services, which can then be used as an entry point around which institutions are organized and strengthened. Hence, based on the experience of WNRDP, the provision of financial services will be strengthened by linking community and farmers’ organizations with financial service providers. Innovative elements, such as the provision of financing through agricultural cooperatives and the introduction of better-suited loan products, will also be put in place. The positive experience of providing women’s and farmers’ cooperatives with access to financial services will be scaled up horizontally and vertically by involving these target groups in the direct delivery of such services. Modifications will be made to the approach of social-sector service provision, ensuring that the pricing of these services is sustainable from the outset. There will also be some modifications made to the marketing approach, which showed that while contract farming can provide some stability in volatile markets, formal contracts are not always the most appropriate mechanism for ensuring access to reliable markets. Availability of good quality produce in sufficient quantity can often provide smallholders with better access to secure markets.

Policy engagement

A supportive policy environment is a prerequisite for the development of newly reclaimed lands. IFAD and the Government of Egypt work in close partnership, supporting each other’s efforts in the resettlement of poor households. The government has secured their land tenure with land titles and invested in capital-intensive irrigation and drainage infrastructure. While this investment is necessary, it is not sufficient to create a vibrant and dynamic community. In view of this, IFAD has played an important role in influencing government policy with respect to the institutional framework required to operate and maintain these systems, and in organizing and empowering the communities to provide some of the services so vital for their viability. For example, IFAD has worked with farmers’ cooperatives and has helped in important ways to shape the government’s policy towards them by transforming them from mere administrative appendages of the government to entities which represent members’ interests. Thus, IFAD has demonstrated to the government the potential role that cooperatives can play in serving their members. As a result, the government is planning to reform the
agriculture cooperative law, which in the future will give the cooperatives much greater flexibility to function as independent, farmer-owned, profit-oriented organizations. Moreover, ensuring greater participation and voice for women in agricultural cooperatives and farmers’ associations is an important element of IFAD’s policy advocacy. IFAD will continue to explore opportunities for policy reform that would make the cooperatives more member-controlled and initiate policy dialogue to strengthen the regulatory framework for cooperatives. IFAD will also explore how the policy and regulatory frameworks can be strengthened to facilitate the provision of financial services to the agricultural sector. To this end, IFAD has been closely following the development of the microfinance law in Egypt and will continue to explore opportunities for policy advocacy that would benefit its target group on the new lands.

Project financing

Investment in projects has been a key instrument for IFAD in the country. The Government of Egypt values IFAD’s investments because of their strong alignment with country priorities. IFAD-financed development projects have been a principle mechanism for scaling up its innovative and successful approaches in the country. At the request of the government, IFAD is now scaling up its approach for the development of new lands through the recently approved SAIL project. The total cost of this project is estimated at US$86.85 million, partially financed with an IFAD loan of US$63.2 million. At present, IFAD is the pioneer donor agency implementing projects on the newly reclaimed lands, aiming to eventually cover 87 per cent of their territory. The government has made a considerable investment in terms of housing, roads, primary and secondary canals, and drainage infrastructure in the new lands supported by IFAD, estimated at US$250-300 million.

Knowledge generation and sharing

IFAD is promoting the generation of knowledge on successful approaches in the new lands through several mechanisms. It has used regional grants to provide additional technical assistance and services in the newly settled lands. It intends to disseminate research results from the International Center for Agricultural Research in the Dry Areas (ICARDA)1 in order to share the experience with changing crop rotations for enhanced agricultural productivity, decreased soil degradation, improved soil fertility and sustainable crop production. The approach will also use the results from an IFAD grant to enhance the adaptive capacity of rural communities to climate change.2 Given the scaling up and knowledge generation purpose of SAIL, the compilation and dissemination of project information, experiences and results on an ongoing basis are important both for the country and IFAD. Hence, the project will package and disseminate information to the respective stakeholders in the appropriate formats (e.g. brochures, studies, articles, newsletters and a website). This knowledge-sharing process will be supported by a well-focused series of workshops and joint learning events. The project design will be regularly adjusted based on the information and analysis gleaned from the monitoring and evaluation (M&E) system, the results of which will also be used to influence pro-poor policies.

The scaling-up process is assisted by IFAD’s approach to knowledge management, which aims to build the capacities of its prime target group – the smallholders. The project will provide financial literacy training to women and young people to enable them to make use of local savings opportunities available through rotating savings and credit associations (ROSCAs), village post offices and formal bank branches. Women and young people will also receive non-financial services, such as entrepreneurship and vocational training through the youth CDAs or through local resource persons contracted by the project. IFAD has made a provision to use resource persons from WNDRP to share experience with other farmers in the new lands, particularly farmers facing problems similar to those that were successfully addressed by the farmers of Noubaria.

Key drivers and spaces for scaling up

Successful scaling up of the development of new lands in Egypt requires an appropriate environment that enables proper support and growth. Some of the necessary key conditions are summarized below.

Financial/fiscal space

The scaling up of the development of new lands requires considerable resources for basic infrastructure, housing, land development, improvement of irrigation and drainage systems, etc. The Government of Egypt has already spent between US$200 million and US$300 million on the new lands and is prepared to commit additional resources. The government is also prepared to seek additional resources from IFAD and other

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1 ICARDA. 2014. Improving Livelihoods of Rural Communities in the Nile Valley and Sub-Saharan Africa Region: Sustainable Crop and Livestock Management.
2 Improving smallholder farmer livelihoods in Sub-Saharan Africa Region through transforming research outcomes to create commercial opportunities. Options.
donors for investment in these areas. The beneficiary households are also expected to contribute resources for the development of these areas. Significant additional resources will be made available through scaling up of the successful experience of credit provision to farmers. Given the reluctance of the commercial banking sector to provide services to the agricultural and rural sectors, lacking accepted collateral, IFAD is introducing a grass-roots credit guarantee mechanism, which will enable access to funds for those without land and asset collateral but with a strong reputation within the community. Through its projects, IFAD is also providing institutional support that promotes close interaction between the financial institutions and rural households, resulting in increased access to funds for the latter.

**Institutional space**

The development of new land requires strong community and farmers’ organizations which can operate and manage the infrastructure and services needed for newly settled communities. The proposed approach will be designed to scale up the successful experience of WNRDP in establishing and strengthening rural institutions, especially CDAs, agricultural cooperatives and, within them, WUGs and farmers’ marketing associations (FMAs). IFAD projects will put in place participatory and demand-driven processes for establishing and strengthening these institutions. IFAD projects will also improve the corporate governance of these rural institutions, strengthen their leadership and enhance transparency and accountability.

The CDAs will focus in particular on women, who are virtually excluded from the agricultural cooperatives, and young people, who lack any type of institutional membership. The CDAs will be responsible for the management of services such as literacy classes, basic health services, initiation of savings groups and provision of micro-loans in areas where these services are missing. They will also engage enterprising young people in innovative opportunities for economic and social entrepreneurship.

Various donor-funded programmes, including WNRDP, have proven that agricultural cooperatives can be organized and trained to better manage irrigation infrastructure and farm equipment and undertake collective marketing activities. Agricultural cooperatives can group to form marketing associations (MAs) that have the capacity to access better prices for their produce through collective marketing. Through the agricultural cooperatives, IFAD’s projects will strengthen WUGs and MAs so that they assist in the operation and maintenance of irrigation infrastructure and engage in collective marketing with the private sector.

**Political space**

The scaling up of the development of new lands has strong political support from the Government of Egypt, which has been providing lands to unemployed, most of whom are university graduates with degrees in agriculture, and displaced households. This strategy prioritizes growth in the agricultural sector and the creation of employment opportunities as the surest way to combat poverty and prevent social unrest. IFAD’s investments have received very strong support from the Ministry of International Cooperation, the Ministry of Agriculture and Land Reclamation, and the Ministry of Finance.

**Cultural space**

The villages in the new lands are inhabited by a very diverse group of people, including graduates, displaced farmers and urban poor who have moved to the new settlements from different parts of the country. The scaling-up approach requires social cohesion and conflict resolution and will, therefore, aim to bring the communities closer together and enable them to see that their collective interest lies in collaboration. The process used to form and strengthen local organizations will facilitate the inclusion, empowerment and participation of women, men and young people in these institutions. The project will demonstrate how participation and membership in grass-roots institutions will be to their mutual advantage, as it enables collective management of their common resources and reduction in their transactions cost.

The participation of women and young people will be critical for the success of the scaling up of the development of new lands. Women have a lower status than men in traditional Egyptian societies and their role in community decision-making is minimal. Similarly, the roles of young men and young women in decision-making is traditionally proscribed. The project will seek to increase the visibility, capabilities and mobility of women and young people through a range of strategies. Their status will be improved through enhanced roles in decision-making at the community level and greater access and control over income and productive resources. This will be brought about by ensuring their representation on the boards of CDAs, the creation of youth CDAs, vocational and entrepreneurship training and literacy. Social cohesion among young people and improvement in their quality of life will be promoted through the establishment of youth centres for recreation, skills training and cultural activities. The provision of a collective space for young girls will be particularly empowering, as their opportunities for recreation and socializing are limited due to cultural constraints.
Partnerships

Building and strengthening a host of partnerships between the public and private sectors and smallholder producers will be a key driver of the scaling-up process. IFAD will continue to foster partnerships at the local level between community organizations, public institutions and the private sector. The public sector will be responsible for the management of the main and branch irrigation and drainage canals, and management of formal schools. At the settlement level, local rural institutions will be the anchor for all project activities. Private contractors will be involved in the design and implementation of all infrastructure schemes. The private sector will be expected to provide access to agricultural inputs, irrigation and solar energy technologies, and output marketing services. The private sector will also have a key role in the introduction of new technologies, training of people in the project area in the use and maintenance of these technologies, and recruitment of agents for the promotion of these technologies within the project area. Technical assistance and training on tested and adapted technologies will be provided through technical specialists and the national research system.

IFAD has been collaborating with several donors in the country. IFAD cofinanced WNRDP using the Italian Debt Swap funds and has in the past worked closely with the World Bank on rural development projects in Upper Egypt. IFAD, the World Bank and the European Union are currently providing parallel financing to several government partners, including SFD. These efforts can contribute to scaling up by making credit available to the private sector, small-scale entrepreneurs and smallholders engaged on the new lands. IFAD will also capitalize on the experience of USAID, which has been very successful in linking smallholders with markets. In particular, USAID’s experience demonstrates how to assist smallholders’ cooperatives and marketing associations to form successful business partnerships with private-sector agencies.

Monitoring and evaluation

Effective M&E is a critical component of an effective scaling-up pathway. In addition to the monitoring mechanisms used for traditional IFAD projects, new mechanisms will be established to monitor the settlement. Monitoring indicators will focus on both outputs and the extent to which key spaces are created to permit the scaling-up pathway necessary for settlement on new lands to succeed. The monitoring indicators of the IFAD-supported SAIL project will be supplemented with output-specific indicators relevant to scaling up and pathway monitoring. While most output indicator are included in the logframe of the SAIL project, those which will be used to monitor outputs and pathways specific to scaling up are listed below.

**M&E framework for scaling up development of new lands**

<table>
<thead>
<tr>
<th>Output/outcome indicators</th>
<th>Pathway indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of new lands cultivated</td>
<td>Identification of new areas for reclamation</td>
</tr>
<tr>
<td>Proportion of new houses occupied</td>
<td>Volume of funds invested by the government in the newly reclaimed lands</td>
</tr>
<tr>
<td>Proportion of population in the settlements who are members of CDAs, WUAs and FMAs, disaggregated by gender and age</td>
<td>Volume of funds provided by SFD, PBDAC and commercial banks in the new lands</td>
</tr>
<tr>
<td>Proportion of population accessing health and education services</td>
<td>Proportion of households which have adopted new technologies</td>
</tr>
<tr>
<td>Proportion of population accessing financial and marketing services</td>
<td>Proportion of households reporting water theft and other conflicts</td>
</tr>
</tbody>
</table>

**Key lessons for scaling up in Egypt**

Key messages for scaling up the development of newly reclaimed land in Egypt include the following:

- Investment in rural institutions should be the key starting point, as it is the anchor for effective operation, management and sustainability of all physical and social investments and services.
- Investment in the non-farm rural sector is just as important as investment in the farm sector on new lands.
- Water user groups function most effectively at the lower levels of the systems (such as Marwa and Mesqa) and with smaller memberships; (Marwa is the lower small canal that irrigates the farm and Mesqa is a higher canal consisting of a number of Marwa).
Linking farmers with markets requires specialist expertise, as government and NGO staff generally do not have the orientation or training for this purpose.

Synergies between the marketing support activities and the provision of rural financial services can be maximized through joint field visits, team meetings and close coordination of the workplans and targets.

It is important to provide financial services along the entire value chain, including farmers, market intermediaries and small and medium-sized enterprises dealing with agricultural produce.

Attract the private sector by aggregating the produce of smallholders in order to ensure economies of scale.

Work in close partnership with the private sector to identify the market potential and the required quality of produce.

Use a plurality of institutional arrangements to ensure the delivery of financial services to the different value chain actors.

Use existing institutions and implementation arrangements to enhance the sustainability of project interventions.

Dedicated resources and staff are necessary to ensure women’s participation and inclusion in project activities.

A special strategy is required to include young people in project activities in a participatory manner.

Participatory approach in designing a scaling-up initiative is vital to realistic project design.

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December 2015