Investing in rural people

Arab Republic of Egypt

Upper Egypt Rural Development Project

Supervision report

Main report and appendices

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Abbreviations and acronyms

AWPB	Annual Work Plan and Budget
CDA	Community Development Association
EFSA	Egyptian Financial Supervisory Authority
EIU	Economic Intelligence Unit
FAO	Food and Agriculture Organization of the United Nations
FMA	Farmer Marketing Association
FSRU	Farming Systems Research Unit
GDP	Gross Domestic Product
GOE	Government of Egypt
GPCU	Governorate Project Coordination Unit
IFAD	International Fund for Agricultural Development
M&E	Monitoring and Evaluation
MALR	Ministry for Agriculture and Land Reclamation
MFI	Microfinance Institution
MIC	Ministry of International Cooperation
MIS	Management Information System
MOF	Ministry of Finance
NPCU	National Project Coordination Unit
PBDAC	Principal Bank for Development and Agricultural Credit
PRIME	Promotion of Rural Incomes through Market Enhancement Project
PSC	Project Steering Committee
RIMS	Results and Impact Management System
SEDO	Small Enterprise Development Organisation
SFD	Social Fund for Development
SME	Small and Medium Enterprise
UERDP	Upper Egypt Rural Development Project
WA	Withdrawal Application

A. Introduction[1]

1. An IFAD mission visited Egypt from 17 to 26 May 2016 to supervise the Upper Egypt Rural Development Project (UERDP). In Cairo, the mission met with representatives of the Ministry of Agriculture and Land Reclamation (MALR), the Ministry of International Cooperation (MIC) and of the Social Fund for Development (SFD). Meetings were also scheduled with staff and representatives of the National Project Coordination Unit (NPCU) and the Governorate Project Coordination Units in Qena and Assiut. Field visits were undertaken from 18 to 24 May to selected community development associations (CDAs), farmer groups and micro-enterprises supported by the different agencies and financial institutions.

2. This report reflects the mission's key findings and recommendations, and records the agreements reached with implementing partners. The issues and recommendations were discussed and agreed at three wrap-up meetings in Cairo on 26 May 2016, the first chaired by H.E. Dr. Sahar Nasr, Minister for International Cooperation (MIC), the second by H.E. Dr. Esam Fayad, Minister for Agriculture and Land Reclamation, and the third by Dr. Howaida El Hawary, SFD.

3. The mission would like to express its appreciation for the excellent collaboration, support and hospitality extended by the Government at central and governorate levels.

4. The UERDP constitutes a USD 20 million development investment financed by Government (almost USD 3.7 million) and IFAD (loan of USD 15 million and grant of USD 1 million). The project is contributing to reducing poverty and improving livelihoods of the rural poor in Qena and Assiut governorates of Upper Egypt. Its investments focus on enhancing access to modern farming technologies and financial services, promoting the creation of employment opportunities, and increasing household incomes. The project was approved by IFAD in December 2006, became effective in September 2007, and the completion date was extended from September 2015 to 31 March 2017. A mid-term review was undertaken in May 2012.

B. Overall assessment of project implementation

5. Egypt has been experiencing political and economic instability following the 2011 revolution. Real Gross Domestic Product (GDP) growth oscillated around 2% during the 2011-14 period, and seems to have picked up to about 4% in 2015. Projections for the period till 2020 by the Economic Intelligence Unit (EIU) oscillate between 2.8%-3.6% per year. For the same period, the EIU projects an inflation rate in the range of 12.4-13.9% p.a., a negative government balance of about 10-11% of GDP per year, a negative current account balance over GDP of 2.6-4.8% per year, and an increase of external debts from USD 55 billion to USD 77 billion. The projection for the end of year exchange rate of the national currency to the USD is 10.0:1 for 2016 and 10.9:1 for 2017, up from the current rate of 8.8 to the USD. This compares with an exchange rate of 1:5.7 at project design stage, a devaluation of about 40%. It should be added that such projections are subject to a large number of variables. While the entire population is affected by the lower purchasing power of the Egyptian pound, the soaring inflation hits the poor much harder than higher income groups, and will most likely postpone further their economic recovery to the levels of the previous decade.

6. Within this context, it is the mission's assessment that project implementation performance is **moderately satisfactory**. Benefits continue to be delivered to the target groups, with direct and indirect outreach to a large number of rural people to date (above 100,000) and a good gender balance in the distribution of benefits. The project's microfinance operations managed by SFD are

[1] Mission composition: Mr Michael Marx, Team Leader, rural finance expert, consultant; Mr Aziz Al-Athwari, Loan Officer for Egypt, CFS, IFAD; Mr Mohamed Hebara, Country Programme Officer; Mr Abbas Zaki, agronomist, consultant. Mr Abdelhaq Hanafi, Country Programme Director, IFAD, supported the mission and led the discussions with the Government of Egypt. Mr. Sayed Hussein, NPCU Director, Mr. Khaled Farid, Mr.Sameh Moheiy, NPCU, Dr. Howaida El-Hawary, Ms Rabab Yousry, Mr Ahmed Saleh Fadl, SFD, accompanied the mission during the field visits in Qena and Assiut. Eng. Khaled Rashad, General Manager, Regional Financing Institutions, Ministry of International Cooperation, joined the mission during in Assiut Governorate.

excellent; some 46,779 loans have been disbursed until April 2016, generating EGP 246 million (appr. USD 28.9 million at current exchange rates) of investments in poor rural areas creating some 50,00 employment opportunities[2]. The aggregate loan repayment rate of 97% testifies to the positive economic returns generated, the credit discipline of borrowers, and the institutional discipline of CDAs and the robustness of the project's microfinance model. With respect to agriculture, the MALR's extension and farming systems research activities coordinated by the National Project Coordination Unit (NPCU) and the Governorate Project Coordination Units (GPCUs) have led to the development of some improved cropping models. As a result of the demonstration plots arranged and the training provided to farmers, very satisfactory adoption rates and net benefit streams for farmers have been achieved.

7. Given the extension of UERDP to 31 March 2017, and about 10 months to the anticipated completion date, the main challenge for all parties is to ensure that the expected results will actually be achieved. The key issue of concern is the disbursement of the line of credit by SFD, where an amount of USD 4.0 million remains available for lending to CDAs. The second concern is to consolidate all positive and negative lessons learnt from project implementation so as to make these available to the other ongoing projects including the Promotion of Rural Incomes through Market Enhancement Project (PRIME). Third, performance under the marketing activities has not been very successful. It will be important to ensure that the PRIME project, tasked to show results in seven governorates, will be in a position to advance faster and reach much further than the UERDP. In view of the need to prepare a comprehensive Project Completion Report, ideally between the completion and closure dates, preparations should start for data consolidation and preparation. Finally, if the CDAs remain a pillar in the government's strategy for financial inclusion of the poor in rural areas, then more capacity building activities to enable these duly play their role are necessary.

C. Outputs and outcomes

Component I: Private Sector Development

Sub-component 1.1: Marketing and Enterprise Development (moderately unsatisfactory)

8. Very few activities have been left over for implementation under this sub-component, with all funds being almost entirely exhausted. Under the 2014/15 Annual Work Plan and Budget (AWPB), only an amount of USD 3,000 has been invested, mostly to hold meetings with farmers, an amount equivalent to 8% of the AWPB allocation. The AWPB 2015/16 totalled USD 2.75 million, of which USD 2.59 million from the IFAD loan, USD 35,000 from the IFAD grant and USD 125,000 from the Government of Egypt (GOE), which was later reduced to USD 30,000. Of this, USD 960,000 had been spent. The actual disbursement rate against the respective AWPB allocations was 30% on Project Year 5, 35% in PY 6, 59% in PY 7 and 35% in PY 8 (1.7.15 – 31.3.2016). As the project is nearing completion, no allowances are available to support substantial technical support activities during the project extension period, which the MALR has agreed to finalize.

9. In most regards, the weaknesses associated with the sub-component remain valid. These include an inadequate Management Information System (MIS) in Farmer Marketing Associations (FMAs), a rudimentary marketing system, with only occasional sales without any continuity, a link of farmers' activities only to outputs rather than to both outputs and outcomes, inadequate links between marketing associations and farmer associations, an inadequate understanding of the technical requirements for improved marketing on the side of farmers and their leaders, little interest to aggregate production to higher levels, insufficient knowledge of quality chain management to establish a value chain for required international certification. With the recruitment of a marketing expert under PRIME by December 2015, there appear to be some first improvements.

[2] It has been noted in previous mission reports that the term "creation of employment opportunities" in the project design report has been retained since inception under the monitoring and evaluation (M&E) framework of the UERDP, rather than real employment created under UERDP, measured in full-time job equivalents, and that the method of data generation is questionable. These data cannot be used to measure the impact of the UERDP at completion point. This approach should not be repeated under PRIME.

10. As a result, the overall assessment of the performance of the Marketing and Enterprise Development activities remain **moderately unsatisfactory** as before**.**

Sub-component 1.2: Financial Services (moderately satisfactory)

11. The SFD provides financial services to the project's target populations through two financial instruments: (1) microfinance for income-generating activities, administered by community development associations (CDAs) which serve as financial intermediaries for micro-loans to their members; and (2) investment finance for small-enterprises granted by the Principal Bank for Development and Agricultural Credit (PBDAC).

Microfinance

12. Since inception, SFD has lent an amount of EGP 61.6 million 69 CDAs, from which the CDAs were able to disburse 46,779 loans worth EGP 246 million to their clients. This implies a revolving of 400% over the amounts received. Average loan sizes have remained relatively stable, just above EGP 5,000, which is the most frequent and standard amount of loans granted by the CDAs. While amounts correspond to the capacity of the CDAs and are an expression of their risk aversion, borrowers want and need bigger loans to move on with their businesses. Among the total of 46,779 borrowers, 50% of the number and value of loans has been disbursed to women, indicating the ability of the CDAs to equitably involve their communities and obtain approval for a more equitable participation of women in the economy. Institutionally, the repayment rates at the level of CDAs have been very good, reaching 97-98% almost throughout the project period. Beyond a few days, no single default on repayment obligations has occurred so far between SFD and CDAs, as shown in the table below.

Table 1: Microfinance Operations – Selected Indicators – Jul. 2008 - April 2016

Indicator	Unit	Assiut	Qena	Total
SFD loan portfolio	Number	28	41	69
Borrowings of CDAs	EGP	32.0	29.6	61,6
SFD loan disbursement to CDAs	%	99.8	97.4	98,5
SFD loan recovery rate from CDAs				
CDA loan portfolio – Aggregate	Number	20,216	26,563	46,779
Loan amount disbursed	EGP million	118.0	127.8	245.8
Loan amount disbursed	USD million	13.9	15.0	28.9
Revolving factor of loans disbursed	%	369	432	399
Average loan size	EGP	5,832	4,810	5,253
CDA loan portfolio to women				
Loans disbursed to women	%	47	53	50
Loan amounts disbursed to women	%	46	54	50
Average loan size	EGP	4,984	5,203	5,100

Source: SFD

13. The sectorial distribution of the loan portfolio (Table 2) shows that rural micro investments are concentrated in three sub-sectors: livestock, particularly fattening of cattle and small ruminants and milk production (48% of loans); commercial activities such as micro-trade and village shops (32%); and a range of rural services (15%). Loans for other purposes, including agriculture production, are minimal. This situation has remained fairly stable in the past years, and it is not likely that this situation will change in the near future unless influenced from outside. CDAs should not be seen as a provider of finance for value chain development (e.g. under PRIME), but larger financial institutions should be targeted for this.

Table 2: Sectoral distribution of number of microfinance loans (Jul. 2008 - April 2016)

Sub-sector	Assiut	Qena	Total
Livestock	55.3%	46.8%	50,9%
Trade	28.5%	33.2%	30,9%
Rural services	15.3%	11.3%	13,2%
Micro-industry and handicrafts	0.7%	8.6%	4,8%
Professional and other purposes	0.1%	0.2%	0.1%

Source: Calculations of the mission on the basis of SFD data

14. The CDA aggregate loan recovery rate as of March 2016 amounts to 97% (Table 3), which is an excellent achievement also in light of the social and economic upheaval of 2011-2012. This indicates continued positive economic returns generated by the micro-loans financed, the credit discipline of borrowers, the recovery endeavours of CDAs, the diversification of risks over many small borrowers, the good relations and the robustness of the microfinance model. The mission commends SFD and CDAs for their immediate and systematic loan follow up by officials on loans falling into arrears.

Table 3: Microfinance – CDA Loan Recovery (2nd phase loans) as of March 2016

Indicator	Unit	Assiut	Qena	Total
Loan Amounts Due	EGP million	23.3	24.6	47.9
Loan Amounts Recovered	EGP million	22.9	23.7	46.6
Loan Recovery Rate	%	98.3%	96.3%	97.3%

Source: SFD

15. The total allocation for activities was SDR 10,050,000, of which SDR 7,768,526 has already been disbursed, leaving a balance of SDR 2,281,474. Using the current SDR:USD exchange rate of 1:1,405470, this SDR balance would be equivalent to USD 3,206,544. Assuming a contingency for changes in the parity of SDR:USD of 5%, the net available balance would amount to USD 3,046,217. To this would have to be added the balance of authorized allocation/ advances in the SFD bank account of USD 947,163, which would imply total lending resources of USD 3,993,380 or EGP 35,261,543, using the current exchange rate of USD 1.00 = EGP 8.83. In case no provision would be made for a change in the SDR:USD parity, the net available resources would increase by USD 1,415,689 to USD 36,677,232. Under these assumptions, even further efforts to disburse the remaining loan balance by SFD would be needed.

16. At the **Qena regional office of SFD**, a total of 15 loan applications of CDAs have been processed locally, involving a total amount of EGP 24.5 million. The Qena and Cairo representatives of SFD feel comfortable that these 15 loans can be approved and the first tranches be disbursed within three months, i.e. by 1.9.16. Unless a final decision has been made by the competent organs of SFD, it would not be possible to determine whether the loan requests will be fully approved. Given the experience so far with the loan curtailing practice of the different SFD units, under normal circumstances, the final disbursements would probably reach about EGP 20 million.

17. At the **Assiut regional office of SFD**, a total of 10 loan applications from CDAs have been received and processed, with amounts in the range of EGP 0.5-3.0 million. The total amount involved is EGP 14.0 million, in addition to one CDA operating in Esna district, involving and amount of EGP 2.0 million. Of these eleven requests, three requests for EGP 5.0 million have been approved by the head office, and the remaining requests returned by the head office for updating and supplementing data and documentation. SFD expects that these should be finally processed by the end of August 2016, and the first tranche be disbursed by the end of September 2016. In the assessment of the SFD regional office staff, these 11 applications should lead to an effective final approval and disbursement of EGP 12.0 million. In addition to this, the Assiut office has prepared a second pipeline of applications, involving 8 CDAs with a total amount of EGP 12.0 million. The potential to disburse loans

to these 8 CDAs has not been fully gauged, but may not immediately reach more than EGP 5 million. The proposed disbursement pipeline of SFD is shown in the table below, indicating that the entire balance can only be absorbed if all loans be

Table 4: Disbursement pipeline proposed by SFD in EGP million

	Qena	Assiut	Esna	Total
Number of CDAs assessed qualified for new loans	14	10	1	25
Amount of loans to CDAs assessed qualified for new loans	20.0	10.0	2.0	32.0
Second (doubtful) pipeline	0	5.0	0	5.0
Maximum amount for disbursement	20.0	15.0	2.0	37.0

18. SFD usually disburses loans to CDAs in four equal tranches, the trigger being that 50% of the past tranche has been disbursed to clients. Assuming an average time span of 2.5 months between two tranches, with much of the delays being caused by several field visits of the CDA by two departments from the head office and one officer from the regional office, the time remaining by early September 2016 (7 months to completion) would most likely not suffice for full disbursement of the above amounts. As a result, several options have been discussed to ensure full disbursement of the loan balance by 31.3.17, including joint loan appraisal at the regional offices between all units involved to finalize the loan appraisal in one stop, the disbursement in two tranches instead of four, alerts by the regional office staff to the CDAs, early opening of new bank accounts to receive the loans, etc. In order to ensure a full disbursement, a temporary waiver of the four tranches and a shift to two or three appear indispensable, in addition to the other coordination measures.

19. In this regard, SFD informed the mission that it is in the process of creating a new IT window for the processing of loan applications. Once effective, the system would allow for a better exchange of information and results of local assessment and in turn for a faster processing of applications. SFD was hopeful that the system would be ready for use by mid July 2016 at the latest.

20. The conclusion from the above is that on the available resources of EGP 35.26 million, an amount of EGP 20 million could be disbursed in Qena, and an amount of EGP 12.0 million in Assiut, giving a total of EGP 32 million. This would require an excellent coordination and harmonization of the appraisal and disbursement process, and a change in the disbursement procedure. The balance of EGP 3.3 million could eventually be disbursed to the second list of CDAs in Assiut in case this office would make special efforts to adequately assist CDAs prepare their applications in time and disburse these on time. While there appears to be a good probability for achieving the EGP 32 million target, there is low probability of disbursing much on the second list of CDAs, which has not yet been appraised.

21. On the basis of the above, the mission agreed with SFD on the following:

(1) The SFD head office will prepare a list of pipeline loan requests in a spread sheet programme in which the names of all applying CDAs and their loan requests are entered against the finalization of all further approval and appraisal steps within SFD; this list, as already recommended by the previous supervision mission, should be updated monthly and shared between the SFD head office, the Assiut and Qena regional offices, and the IFAD, in an agreed format[3].

3 The format, prepared in a spreadsheet program, lists the borrowing CDAs, governorate, date of EFSA licensing, date of loan application, amount requested, amount approved, date of SFD approval, amount and date of loan contract, and amount and date of first to fourth tranche disbursement, and the total disbursements till date. SFD is also requested to update its assessment on the probability that all amounts contracted would be disbursed by 31 March 2017. The second sheet then calculates the percentage of disbursement against the remaining funds.

(2) The SFD agrees to temporarily change the spread of disbursement over four tranches to only two or three tranches for the remaining funds under UERDP. In case two tranches would be adopted, this would imply two tranches of 50%, with the disbursement of the second tranche being subject to a disbursement of 60% of the first tranche by the CDA. In case a disbursement over three tranches would be accepted by SFD, the first two tranches would total 25% of the total approval, and the third one 50%. Disbursements of the next tranche are then contingent on a disbursement of 50% of the previous tranche.

(3) The SFD agrees that for the purposes of the remaining funds under UERDP, it will consider speeding up all processes of appraisal to the extent possible. This may comprise a joint assessment of applications by the microfinance central centre, the risk management and internal audit departments and the respective regional office at the regional offices in such a way that after the end of the meetings, agreements have been reached on disbursements.

(4) To prepare for the solid scheduling of activities and measures, a first meeting between SFD and IFAD on the UERDP disbursement procedures will be scheduled for the 2nd of June, 2016, at the SFD head offices in Cairo, with participation from the two regional offices of Qena and Assiut. The objective is to get a joint understanding on the potential applications to be monitored, and to agree on the reporting framework and the procedures to be followed within SFD.

22. The mission repeated that a disbursement rate much below 100% on the loan amount could eventually have negative repercussions on the perception of SFD's capacity, and the rating of Egypt under IFAD's performance based allocation system, in particular in view of the extension of the project duration by 18 months.

23. Since early 2013, SFD grants its 3-5 year loans to CDAs at 9.5% p.a. on a declining balance, while CDAs charge their clients a flat rate of 14% per year for loans up to 24 months. The effective annual lending rate is thus around 27%. Prior to 2013, the lending rate of SFD was 10.5-10.8% p.a. for three and five year loans respectively, while the ceiling for CDA lending rates was 16% flat. While the margins of the CDAs have thus declined, most CDAs make a surplus from their operations, which they credit to their retained earnings/reserves and use to grant more loans. CDAs apparently do not inform their borrowers on the effective rate of interest, and prefer to grant shorter terms, in view of the higher income thus realized. This is contrary to the interest of borrowers, who are often keen to extend the loan period. With insufficient capital for satisfy the many loan requests of people in the villages, many CDAs also reduce or keep small the loan amounts, which in many cases remain insufficient for borrowers to make a reasonable profit from their operations, or which is insufficient to do what is profitable. The average loan amount approved by CDAs is equivalent to the third of the costs of a milk cow, which is one of preferred investments of rural women, given the profits, risks and opportunity to work from the back yard.

24. **Concerns of CDAs**. The two main grievances of CDAs with SFD are the very small loan amounts they receive, and the very long delays in processing their loans. The mission listened extensively to the experience of CDAs with the SFD loan processing, and the many different visits and checks from the SFD regional and three different units of the head offices. In some cases, a request for a loan approval from a SFD staff in a regional office was sent to his departments at head office, from where it was forwarded first to the internal audit unit at head office before it was forward for action to the internal audit staff at the same regional office, even though their offices were next to each other. Even considering that some time is needed by staff to process requests, a significant reduction the entire processing time does not seem to be unrealistic, and would be highly beneficial for the reputation of SFD, reduce SFD's operating costs, and enhance the income earning capacity of the CDAs.

25. **CDA capacity**. The capacity of all CDAs visited in microfinance is comparatively low, compared to other countries in the sub-region and compared to the number of years of experience and existence. Many CDAs receiving loans from SFD have existed for 25 years and more, but have not changed much in terms of operations, products and procedures. No systematic, in-depth and

professional assessment of their capacity and performance has yet been done. The same applies to a capacity development needs assessment. Based on the field visits conducted over the past two years, and the two workshops conducted in March 2016 with CDAs, the following points appear to be of highest priority for capacity development:

- Purchase of a loan tracking system;
- Internal CDA performance analysis on the basis of a more analytical record keeping;
- Adjustment of loan products, terms and conditions, in particular grace periods, loan duration, and periodicity of loan repayment;
- Liquidity planning;
- Risk management;
- Loan appraisal and monitoring;
- CDA governance;
- General management principles of a microfinance institution.

26. It is recommended to start as soon as possible with the preparation of a curriculum for a 4-day training course for CDAs on financial performance analysis of CDAs, using the SFD and Egyptian Financial Supervisory Authority (EFSA) reporting conditions, and some of the most important MIX-MARKET indicators. Care should be taken that the current perception of CDAs to perceive the microfinance activities as a fund (sanduq), not as a financial institution that uses standard income statements and balance sheets as main performance analysis tool, is adequately taken into consideration, and that the desire of CDAs to measure their own performance is built, not just as a requirement of the financier or the regulator/supervisor. To the extent possible, available grant funds should be used for this purpose.

27. SFD has made some negative experience with a donor induced campaign to increase the use of loan tracking software in CDAs. The arrangement was that the donor would fund the acquisition costs (EGP 7000), while the CDAs would then shoulder the annual maintenance fees of about EGP 800. Many CDAs refused to pay the annual fees after the first year, and subsequently reverted to manual loan tracking, despite the fact that all CDAs made sufficient profits from the lending activities to shoulder the expenses. On the other hand, several microfinance institutions (MFIs) have recently purchased software twice as expensive as the rudimentary software offered by SFD, and fully at their own costs, just because they were convinced about the need and usefulness. Annual maintenance fees are often less than 1% of the net profit realized from microfinance operations.

28. As the large number of MFIs in the country does not permit SFD to assess the performance of each MFI individually and regularly, and to back up performance analysis with field visits of those MFIs that do not use a MIS, this might lead to the conclusion that MFIs without loan tracking software would constitute a high risk that cannot be adequately mitigated by SFD, which would subsequently lead to a maximum loan exposure of such MFIs to EGP 0.5 million. Only MFIs with functioning MIS would thus qualify for higher loan amounts from SFD. Furthermore, it might be appropriate for SFD to introduce a clear distinction between dynamic and capable MFIs, and stagnant and weak MFIs, and to gear products and support services more clearly to those with higher potential.

29. In view of the still low disbursement rate, the performance of financial services under the project is rated **moderately satisfactory**, with the performance of participating CDAs seen as satisfactory.

Agreed action	Responsibility	Agreed date
1. Undertake all efforts to ensure full disbursement of the available resources under UERDP to CDAs before 31.3.17, e.g. by delegating field visits to regional offices, harmonized and integrated appraisal steps between regional and head offices, and joint appraisals in the field by all units involved	SFD	immediately till completion
2. Report monthly on the state of appraisal and disbursements to CDAs	SFD	starting June 2016
3. For the remaining disbursements under UERDP, shift from disbursement in four tranches to disbursement in two or three tranches.	SFD	July 2016
4. Agree on scheduling of activities till March 2017 between IFAD and SFD	SFD, IFAD Country Office	2.6.16
5. Develop a curriculum for a first training of CDAs on financial performance analysis and conduct 2 training sessions	SFD	August 2016 for finalization of curriculum; October 2016 for training
6. Shift the implementation of a systematic capacity development needs assessment of CDAs and preparation of a capacity development plan for CDAs to PRIME	NPCU, SFD	immediately

Small and Medium Enterprise Finance

30. Enterprise financing operations are managed by the SFD’s Small Enterprise Development Organisation (SEDO) and administered by PBDAC on the basis of a Subsidiary Financing Agreement signed in April 2009. Contrary to the agreement, PBDAC preferred after the first round of disbursements not to revolve the loans to other clients, as the bank felt its costs and risks were not adequately taken care of under the agreement. All operations have been finalized in July 2015.

Component II: Agriculture Competitiveness Enhancement (moderately satisfactory)

31. The departments of MALR at Governorate level are responsible for Agriculture Competitiveness Enhancement component. The activities within this component include the demand-driven on-farm farming system research as well as the support to the demand-driven extension services. The on-farm farming systems research aims at introducing new varieties and crops with potential markets as well as promotion of crop intensification and diversification for increased farm income and resilience through enhanced productivity, improved efficiency in the use of water and fertilizers and reduced cost of production.

32. **Farming Systems Research.** Through the applied farming systems research, new high-yielding varieties as well as crops newly introduced to the area have been tested on demonstration extension plots where farmers were invited to field and harvest days to compare their respective performance and yield with those of new varieties. These improved varieties that were selected by the farmers would enter the various farming/cropping systems models. The models include intercropping and relay planting with other crops. The fine-tuning of the cropping systems used is decided upon in a participatory way together with the farmers who would evaluate the outcome at the end of the season with the researchers, extension agents and their fellow farmers. Ten models have been developed in the past years. Surveys conducted by the Farming Systems Research Unit (FSRU) show promising adoption rates and positive results of a number of models in terms of production outputs, net profits realized, reduced water consumption and reduced fertilizer consumption.

33. Over the five-year period from 2010/11 to 2014/15, the total profits realized by the farmers adopting the new production approaches amount to EGP 114.7 million, or USD 13.0 million at current exchange rates, as summarized in the table below. These benefits are a multiple of the respective costs incurred by the GOE at national and governorate levels, and appear in retrospect as an excellent investment made by the Government and IFAD. Details on the benefits realized under the four main models adopted in Qena and the three models adopted in Assiut are presented in Appendix

9. These will facilitate the validation of the results calculated by the FSRU and the projection of the internal rates of return of the UERDP.

Table 5: Net benefits realized by farmers in Qena and Assiut from 2010/11 to 2014/15

Total benefits	In EGP	In USD
Qena	108,707,606	12,311,167
Assiut	5,987,802	678,120
Total benefits	114,695,408	12,989,287

34. In order to facilitate the dissemination of the successful models beyond the few thousands of farmers so far, and in order to capture the technical and institutional lessons that can be learnt from the UERDP, it would be useful to properly document the cases in the following three publications or products:

(1) **Farmer brochure**: A description of the changes introduced by the new models against the traditional farming systems, what makes the difference, and what results can be achieved under the different environments and farming systems in the different governorates; changes in inputs and outputs from the farmer perspective; description of the agronomic practices required; comparison of advantages and disadvantages, and what would be required to reap the main advantages; the total length of the document might be around 20-30 pages. The language shall be Arabic, and the publication addressed to ordinary farmers without tertiary education.

(2) **Scientific presentation of the new crop planting models**: A more scientific paper addressed mainly at practitioners in the MALR, experienced extension officers, policy makers and researchers. The total volume may be 50-100 pages, the languages shall be both Arabic and English.

(3) **Documentation of the water consumption effects** of the new recommended crop production and crop rotation/intercropping models, addressed at scientists, researchers, policy makers, MALR and IFAD projects operating in countries affected by water scarcity and climate change. The total volume may be 20-30 pages, prepared in both Arabic and English.

35. It would be useful to recruit the former director of the FSRU and chief developer and instructor of the models with the task to prepare these three publications, as he is the most familiar with the entire process, the dialogue with farmers, the testing and the evaluation process. While the second and the third paper may only be presented on the MALR and IFAD websites, the first one should be printed in a way commensurate with the requirements of the users. No procurement would be possible or needed, as the FSRU has been a partner under the UERDP and is quasi the only institution familiar with the entire background and results. The contract should envisage a delivery of the first drafts by 15.9.16, upon which the papers should be peer reviewed.

36. The above would be a cornerstone in scaling up these highly useful farming models to other districts and governorates supported under PRIME through knowledge management and dissemination. It was thus agreed with NPCU to scale up the lessons learnt from UERDP from two agricultural centres in Assiut and Qena in the framework of PRIME. This will have to be addressed by the next PRIME supervision mission.

Agreed action		Responsibility	Agreed date
7.	Subcontract the former FSRU director in charge of the farming models development for three papers to enable MALR and IFAD scale up the systems	FSRU/MALR	Recruitment in June, 1st draft in SEP and publication in December

D. Project implementation progress

37. **Management performance.** The NPCU is responsible for the implementation of the UERDP and the PRIME projects in the country funded by IFAD. The unit is embedded in the MALR and staffed by experienced ministerial personnel acquainted with IFAD procedures, who work for the project on a part-time basis. At the Governorate level, the NPCU is supported by two GPCUs, one in Assiut and the other in Qena. SFD, and its regional branches, are responsible for the implementation of all activities related to financial services at the project target area. The work of the NPCU is overseen by a Programme Steering Committee. Its functions are to provide policy guidance, approve the AWPB, approve participation of implementing partners and facilitate in resolving operational issues. The overall performance of project management is rated **moderately satisfactory**.

38. The mission views the competence and dedication of the NPCU/GPCU and SFD teams positive. The progress that the project attained so far is the result of the commitment of project staff and the constructive partnership with SFD. The mission is pleased to note that some knowledge and experience sharing arrangements with other IFAD projects in the country, such us the West Noubaria Rural Development Project (closed in December 2014), have worked well. The unit will also remain in charge of the PRIME, which would contribute to structured knowledge management. Improvements would certainly be possible as regards interaction between the GPCUs in Qena and Assiut. This could serve as a model for knowledge and experience sharing at the local level, and can be replicated in other IFAD’s project in the country, particularly the PRIME.

39. Aspects of project management to be improved include the quality and accuracy of the AWPBs, aggregation of data, outreach to women and the youths, among others. Attention to and follow-up on sub-components and activities not easily implementable has generally been poor. Efforts to implement mission recommendations have generally been insufficient. The overall management of the UERDP was assessed to be **moderately satisfactory**.

40. **Monitoring and Evaluation.** M&E under the UERDP is vested with the central GPCU, which collates data coming from the two governorates, financial institutions and other partners. The unit compiles quarterly and annual progress reports focusing mostly on inputs and outputs, with insufficient information and analysis on results. Impact dimensions, and the extent to which the overall goals and objectives are reached, are not adequately addressed. The project does not possess a modern MIS system, and data are kept and processed in spread sheet format. Accounts are kept manually. The first level RIMS indicators are an integral part of the M&E system. The capacity to direct and supervise external, more complex impact surveys and ensure quality delivery on time is not visible. Most of the deficiencies can be explained by insufficient technical capacities of the staff involved, a lack of proper understanding in the Ministry of how data could be used to derive at management and strategic decisions, an inadequate budget to verify data and conduct interim and final surveys on relevant outputs and impacts, lack of exposure on how modern M&E functions could be implemented within a strategic framework. As it is not likely that the PRIME as successor project will be able to achieve its objectives without substantial improvements of the M&E support services, it will be necessary to put much more attention and focus on this when establishing and operationalising the M&E system for PRIME, and to request supervision missions to dedicate sufficient time to improving the performance of the unit, on-the-job. The performance of the M&E system is therefore rated **moderately unsatisfactory**.

41. **Gender focus**. In terms of outreach, the UERDP shows good results as regards microfinance, where 50% of the number and value of loans has gone to women. The achievements are due to the dedication and commitment of the CDAs to gender focus and balance, and less to project initiatives. However, the involvement of women as decision makers and beneficiaries has been limited as regards the other components, as remarked above and in previous reports. Inadequate efforts have been made to reach out to women in all activities other than microfinance. The project also did not develop a project gender mainstreaming strategy, as requested, and thus does not have any implemented activities on it to date. Due to the lack of focus, of both researchers and project staff, some of the surveys did not even envisage comprising the outcomes of project measures on women,

nor did they provide a breakdown of results by gender, even though the data existed. On the other hand, it must be acknowledged that in the environment in which the project operates, and the political turmoil from which the country suffered, an equitable distribution of resources between women and men was very difficult to achieve. The gender focus of the UERDP is therefore rated **moderately satisfactory**.

42. **Poverty focus**. Most of the financial services have been clearly directed at the economically active poor, as per the project appraisal document, with the explicit and planned exception of loans granted by PBDAC, which followed other objectives.

43. UERDP has achieved steady and significant progress toward delivering benefits to the target groups. The project has been able during the past four years of the project life to direct the micro finance and extension activities to the rural poor who are cultivating less than five feddans, some landless labourers and female headed households, despite the difficulties that (expectedly) come along with such focus. In view of the extensive benefits realized over the past five years, the poverty focus of the UERDP is therefore rated **satisfactory**.

44. **Effectiveness of targeting approach.** The project's targeting approach was supposed to comprise the direct selection of two poor governorates, the direct selection of poor villages within the selected governorates and some self-targeting of project activities as the small loan sizes which are attractive to households below the poverty line, and not to better-off households. The UERDP has been able to cover by its micro finance activities those villages indicated nationally as poorer villages in the two governorate. The CDAs have thus effectively delivered micro finance to enterprises at village level without much effort to restrict elite capture. These simple approaches have worked, in combination with the dedication of CDAs towards the rural poor. The effectiveness of targeting is rated **moderately satisfactory**. A breakdown of project outreach to individuals is shown in Table 6.

Table 6: Outreach of project activities as of May 2016

Target Group "category"	Total number of people to be reached by the end of project implementation (appraisal targets)	Number of people reached so far (cumulative)	
		Total number	Of which women
People in marketing groups formed/strengthened	3,500	4,180	384
People trained in business/entrepreneurship	3,000	771	313
People receiving project services	80,000	90,953	32,782
People trained in crop production practices/ technologies	7,200	3,288	652
People trained in livestock production practices/technologies	7,200	2,325	881
Staff of service providers trained	160	1,644	286

45. **Innovation and learning**. Three approaches have worked quite well under the UERDP. The first one relates to the application of participatory approaches at the beginning of the project to establish linkages first with Marketing Associations and the private sector to initiate a dialogue between actors/players, and the second one to involve CDAs as financial intermediaries. The third one relates to the combined approach to fund the development of new cropping patterns through applied research, their testing in demonstration plots, the selection of the most convenient and preferred techniques by farmers, the involvement of government extension services, the expansion of demonstration by extension officers to other farmers, and tentative and first impact studies on the outcomes. The approach to create or strengthen marketing associations has not succeeded so far, within a component that has not been properly conceived, structured and implemented, and for which little budget was available. Even though the microfinance approach through CDAs has started well, the provision of credit-only support appears as a risky fallacy, and should be changed under the successor project PRIME. The ability to develop innovations, to assess these and learn from the

respective outcomes, and re-insert these into strategic management is rated **moderately satisfactory.**

46. **Partnerships.** The close collaboration with the Farming Systems Research Unit (FSRU) has evolved very well and produced results that are relevant to many smallholders in the concerned governorates. SFD has generally performed well, with the exception of a more strategic view on the development of CDAs. PBDAC has adequately implemented its whole contract amount of EGP 5 million, within the limitations discussed in previous supervision mission reports.

47. **Climate and environmental focus**. The main focus of the UERDP is on micro and agricultural finance, marketing and development and application of new cropping patterns. No major direct, secondary or side effects on the environment have so far been observed. The research conducted under the project has led to a number of inter-cropping models, which reduce water and fertilizer consumption of the plants in the range of 20-30%, and thus have a marginally positive environmental impact. As regards the quality of natural asset improvement and climate resilience, no impacts have been identified. The climate and environmental focus of UERDP is rated **moderately satisfactory**.

48. **Project Completion Report.** The project's completion date is approaching and PMU is required to prepare the Project Completion Report (PCR) using the IFAD guidelines for the PCR preparation. The supervision mission discussed with project management the needed studies and surveys, in particular an impact assessment study done by an independent entity, that is fundamental for the project completion review exercise. Quantitative surveys of project beneficiaries will be needed to verify the impacts of the UERDP. These will have to be addressed at least at: (1) farmers adopting one or several of the new cropping models; (2) borrowers from CDAs; and (3) members of marketing associations supported. Furthermore, the impact on the two financial intermediaries, the SFD and the CDAs, would have to be assessed through standard ratios taken from financial statements and other statistics available. The inclusion of the borrowers from PBDAC does not seem to be relevant here, first because the bank is in the beginning of a (probably far-reaching) restructuring process, at the end of which the comparatively small loan under UERDP will not contribute to significant learning, and second because of the comparatively small number of borrowers (below 200).

E. Fiduciary aspects

49. The NPCU is responsible for the implementation of the UERDP fiduciary aspects.

50. **Financial management.** The mission has been able to travel to the field to assess the activities of the implementing agencies at the two Governorates. The sample size for this mission was limited to two CDAs per Governorate. The financial management of the Project has been rated **moderately satisfactory**.

51. **Organization and staffing**. The finance management team of NPCU of MALR consists of two accountants, of which one a retiree, and an assistant at HQ, plus one accountant at each of the coordination units in Qena and Assiut Governorates. The Financial Department of SFD is responsible for the overall financial management of externally funded projects including UERDP.

52. **Budgeting**. IFAD loan and grant budget is viewed by the Government as part of the national budget. The MALR prepares its annual budget including all its activities and submit it to the Ministry of Planning for approval before its final approval by Parliament.

53. Before the end of each fiscal year, the NPCU prepares a consolidated AWPB for the following year for activities planned by the NPCU and SFD from the grant and the loan proceeds respectively and submits it for IFAD review and concurrence. The AWBP of the year 2016/2017 has been submitted to IFAD for review and no objection received on 17 May 2016.

54. **Actual expenditures on AWPB 2015/2016**. The total actual expenditures against 2015/16 AWPB shows a low utilisation rate of 12%. Most of this is due to a low disbursement in the Financial Services sub-component under component 1 (9%), against a 90% achievement under component 2, which however involved only payments of USD 66,000 (see appendix 4). However, a sharp increase

in expenditures is expected in the coming final year of the project (2016/2017) that necessitates strengthening the budgetary controls by ensuring rigorous and systematic monitoring of actuals versus budget and deploying corrective actions by SFD management, as outlined above. Coherence between AWPBs and actual implementation is rated as **moderately unsatisfactory**.

55. **Funds flow and disbursement arrangements**. Disbursements from the project bank accounts are subject to a sufficient level of review, checks and balances. The Project has one designated account in USD and one pooled operating bank account in EGP opened at the Central Bank of Egypt, for the grant, to pay for eligible expenditures under the grant. The pooled operating account receives funds from the grant designated account and funds related to suppliers' guarantees on activities funded by GOE. These two bank accounts are managed by the NPCU. In addition, another designated account in USD has been opened at the National Bank of Egypt, which is managed by SFD, for the payment of eligible expenditures under the IFAD loan.

56. **Internal controls**. The internal control system within the MALR and SFD is in conformity with the government system and deemed adequate by IFAD. The system ensures the separation of functions through several controls mechanisms. The payments of expenditures from project bank accounts are subject to a high level of controls. Payments are currently processed by UERDP financial officers and jointly approved by the NPCU director and the head of the Central Directorate of Financial Affairs, MALR, and reviewed by the assigned financial controller (of the Ministry of Finance [MOF]) to MALR. As required by law, the financial controller reviews and verifies every transaction against the corresponding documentation, and then certifies transactions before checks are issued.

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

58. **Accounting**. The NPCU does not use an accounting software system. All expenditures are recorded manually at NPCU level including justification of advances issued to regional offices by the accountants of NPCU. In addition, the expenditures for Government budget are recorded at MALR level manually, too.

59. The MALR prepares bank reconciliation for the designated account in USD and the pooled operating account in EGP for the IFAD grant on a quarterly basis.

60. **Financial Reporting and Monitoring**. Financial reports prepared by the NPCU, using spread sheets, include a statement of expenditures by component and by financier, a statement of sources and uses of funds by financier and by component. However, the financial reports are not prepared regularly but upon request.

61. Payments made by SFD for the financial services component are recorded in a computerized financial system using Oracle software application. This system is installed at central and regional level and it provides detailed information on the beneficiaries, projects, amounts, etc. The financial reports of the financial services are produced by this system.

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

63. SFD has an internal audit department at central and regional level, and the financed project-related transactions are covered by an internal audit department in accordance with the departmental annual work plan. The audit department has a well-established statement of mission objectives which attempts, among others, ensuring that procedures set in the operational manual are enforced, internal

audit missions are conducted, and the coordination among the various operating aspects of this entity is undertaken. In addition, the internal audit sector has a check list for the audit of projects funded through the CDAs and another check list for the audit of small projects funded through intermediaries.

64. **Designated accounts**. As of May 24, 2016, the designated accounts closing balances are USD 947,163 and USD 36,694 for the loan and the grant respectively. The later includes USD 30,000 that was transferred from an old closed project funded by IFAD. An amount of USD 3,263 was advanced from the Grant designated account to PRIME, which has not been refunded yet. The mission recommends to the NPCU to follow up with PRIME for an immediate refund of the advanced amount to the designated account and to discuss with the IFAD Country Director how to utilise the balance amount transferred from the closed project.

65. **Disbursement is rated moderately unsatisfactory.** The loan disbursement percentage is 77%, while the grant's disbursement percentage is 100%. The remaining balance available for disbursement out of the loan allocation is SDR 2.28 million equivalent. SFD plans to disburse the full remaining balance plus the balance amounted to USD 0.95 million in the designated account out of the advance before the completion date of 31 March 2017. Therefore, and in order to ensure enough liquidity to meet the planned disbursement, the mission agreed that SFD will raise a withdrawal application (WA) for USD 1.0 million, which represents the remaining balance of the authorised allocation supported by cash outflow forecast to be processed before end of September 2016 at the latest. Along with that, SFD agreed to submit a recovery plan showing the gradual recovery of the new authorised allocation. The mission recommends that to SFD to critically assesses the current capacity to disburse the full amount mentioned above and to undertake all required measures and to ensure only eligible expenditures are submitted.

66. With regard to the NPCU, the mission reiterates the recommendation of last year's supervision mission to expedite the finalisation and submission of the WA for justification of the grant authorised allocation covering the period up-to 30 June 2016.

67. **Counterpart funds (moderately unsatisfactory).** Government counterpart contribution to the project is allocated on a yearly basis and is neither sufficient nor timely. The Ministry of Planning has approved only USD 0.03 million (24%) out of USD 0.13 million requested for the 2015/2016 AWPB as counterpart contribution. The NPCU staff did not receive their yearly incentives as a result. The mission recommends the NPCU and IFAD Country Office to follow up with the competent government bodies to release the funds to enable the payment of staff incentives.

68. **Compliance with loan covenants**. The Project's compliance with Loan Covenants is rated **moderately satisfactory**. The Mission noted only partial compliance in relation to the adequacy of budgetary allocations for the Project in accordance with AWPBs by the borrower; progress financial reports lack required details, and the composition of the steering committee as suggested in the financing agreement. A list of key covenants and the compliance therewith is presented in Appendix 6 of this report.

69. **Procurement (moderately satisfactory**). Since the last supervision mission, no procurement had been undertaken. The last mission report stated that the overall procurement assessment carried out by the mission showed that in general, goods, works and services financed by IFAD have been procured in accordance with the national shopping procurement method. The procurement department's performance had thus been rated as **moderately satisfactory**, a rating which is maintained here.

70. **Statement of expenditure review**. The mission examined the WA 13 - SFD of USD 0.3 million which was disbursed after the last supervision mission and found that all supporting documents are complete and easily retrievable.

71. The GOE has deducted taxes on the funds transferred from the grant USD designated account to the pooled operating account. While part of these deductions have already been refunded, however, there is a balance yet to be refunded. The mission requested the NPCU to closely follow up with MOF and ensure the full refund of the balance to the IFAD operating account.

72. **Audit**. Quality and timeliness of audit have been rated as s**atisfactory**. Financial statements for the year ended June 2015 have been audited by Grant Thornton – Mohamed Hilal, a private auditor. The auditors conducted their audit in line with International Standards of Auditing. The audit report and management letter were received by IFAD on 17 December 2015 and two weeks ahead of the deadline. Auditors expressed an unqualified opinion on the financial statements, designated account, and eligibility of statement of expenditure. The auditors' performance and financial statement were rated satisfactory. The mission recommends that the NPCU takes the necessary actions to implement the auditor's recommendations.

73. Some, but not all of the last year supervision mission recommendations were implemented and the NPCU should therefore fast track the implementation of the pending recommendations.

Agreed action		Responsibility	Agreed date
8.	Fast track the submission of the long awaited WA	NPCU	15 June 2016
9.	Strengthen the budgetary control of actuals versus budget	SFD	Weekly/monthly basis from now onward
10.	Refund of the advanced amount to PRIME from the grant proceeds	NPCU	15 June 2016
11.	Follow up with relevant ministry/ies to release the counterpart contribution planned under 2015/2016 for NPCU staff incentives	NPCU / IFAD	15 June 2016
12.	Submit a WA for remaining amount under the authorised allocation, cash outflow forecast and recovery plan	SFD	Before September 2016
13.	Follow up on the refund of the taxes deducted by government on the transfer from IFAD grant USD account to local currency account	NPCU	30 June 2016
14.	Closely monitor the planned disbursement and eligibility of expenditures	SFD	Continuous
15.	Agree on how to utilise the fund transferred from the old closed project to IFAD USD grant designated account	NPCU/IFAD	30 June 2016
16.	Implementation of the external audit recommendations	NPCU / SFD	30 June 2016

F. Sustainability

74. **Institutional sustainability.** In the short term, the overall sustainability of CDAs as financial intermediaries appears to be assured, given their reasonable use of the loans, their ability to reach out to the lower income segments of society, the good repayment rates, and their level of acceptance in society. The new regulations pertaining to microfinance will highly likely lead to an overall strengthening of the sector, although only after considerable efforts by all parties and partners. Before CDAs can improve their performance up to the minimum defined by the regulations, and up to the expectations of their clients, substantial changes are needed, which should be facilitated by holistic capacity development measures. CDAs will in particular need to improve their efficiency levels in order to reduce their lending rates, which requires new operating approaches, MIS, products and increased loan volumes. For this to happen, SFD needs to be convinced about CDAs' capacity, which calls for joint initiatives of SFD, EFSA, the newly formed apex body for microfinance, Egyptian Union for Microfinance (EUMF), and development partners. It is evident that the zero investment policy into CD pursued originally under the UERDP and PRIME is a fallacy.

75. **Social sustainability (Empowerment).** The overall sustainability of CDAs as socio-economic institutions is assured, while the sustainability of FMAs in this respect is not yet assured.

76. **Economic and financial sustainability.** The economic and financial sustainability of microfinance services under the project is assured in the short run, given the good loan recovery rates by CDAs and SFD. The new regulations pertaining to microfinance will highly likely lead to an overall strengthening of the sector, although only after considerable efforts and investments by all parties and partners. It should also be expected that some CDAs will not be willing or capable to adjust to the required level, and thus be forced to exit from microfinance.

77. Taking the tentative results of the various studies conducted as base, it is highly probable that the rates of return on investments at project completion will show positive results, in particular for the microfinance and farming systems development activities. These are highly likely to be well in excess of the opportunity cost of capital, and very robust in the face of political and economic turmoil at the macro level.

78. **Technical sustainability.** The project's technical sustainability will again depend on the nature of linkages between FMAs and agribusinesses, as well as on the support with which MALR extension services are able to support CDA borrowers. This is not yet established. As farming practices evolve as a response to markets and the natural environment, more practical research such as the one undertaken by FSRU will improve benefits and constant adjustments.

79. **Scaling-up and replication**. To a large extent, the design of the PRIME attempted to replicate those elements and approaches of UERDP that are promising, relevant and beneficial to the target groups, and scale up these interventions from two to seven governorates. The PRIME is therefore able to build on the financial intervention model developed between SFD and CDAs, complemented by some value-adding capacity building activities that had been omitted under UERDP. Furthermore, the marketing activities have been taken up a core element under UERDP to establish linkages between producer groups, whether formal or informal, and buyers with a longer perspective than just one agricultural season. The publications recommended during this mission on the components, approaches and outcomes of the farming research and adoption system developed under UERDP will be a cornerstone in the expansion of these successful models first to the other five governorates supported under PRIME, and eventually also to other governorates. The scaling-up and replication potential is therefore rated **satisfactory**.

80. **Environmental sustainability.** N/A

81. **Quality of beneficiary participation**. In the farming systems research domain, the research team has been highly responsive to the interests and requests of farmers. Contrary to traditional research extension approaches, researchers developed models on the basis of a mix between proposals made by farmers and agronomic feasibility. Through constant assessments in the field, these have been refined over the years. Moreover, out of the several models developed by the FSRU, farmers selected only those that they felt was mostly commensurate with their conditions. As regards the marketing activities, these suffered from the lack of institutional responsibility and continuity, which is not surprising as nobody has ever been in charge of the implementation; in the absence of a clear strategy and persons in charge, participation of farmer in the marketing activities has been sporadic only. As regards finance, the CDAs and SFD and client and CDAs have a clear contractual relationship between borrower and lender, which, in the Egyptian context, does not leave much room for participation in management, or dialogue on terms and conditions. Overall, the quality of beneficiary participation is rated as **satisfactory**.

82. **Responsiveness of service providers**. Most of the tasks are implemented by partner institutions, i.e. SFD and FSRU, and not by service providers in the classical sense. FSRU has been open to farmer proposals and suggestions, allowing for a high extent of farmer participation on the selection of crops and the shaping and refinement of the farming models. Against this, the responsiveness of SFD towards its clients has been affected by the rigidity of sticking to terms and conditions that were once defined at the headquarters. In a country where financial institutions have been traditionally "punished" with low repayment rates or embezzlement when being flexible as regards client requests, it is not surprising that nowadays, all staff are requested to strictly adhere to existing policies and procedures. However, as an institution, SFD has not been able to listen fully to the justified demands of its clients, and adjust terms and conditions, and procedures, and the forms of collaboration between different units in a way that would suit both sides, and possibly even reduce expenditure. Given the more recent interest of SFD to look deeply into this matter, the responsiveness of service providers (partners) is rated **moderately satisfactory**.

83. **Exit strategy (moderately satisfactory).** The CDAs will continue to revolve microfinance loans to expanding numbers of borrowers in the post-project period. Much of the needed capacity

development is expected to be provided under PRIME. In line with national policy, MALR will continue to provide extension services through its statutory budget; there is limited scope at the moment for introducing cost recovery for extension services. The marketing associations need a new vigour and thrust, under PRIME, and probably some rethinking on their structure, organization and business models, before exit would be possible.

G. Impact

84. The benefits of UERDP continue to be delivered to the target groups, with direct and indirect outreach to over 100.000 beneficiaries and with an excellent gender balance. Despite the delays, microfinance operations managed by SFD remain excellent, with close to 50.000 loans disbursed and with a repayment rate of over 97%. This is also a clear indication of the economic returns generated by the project.

85. With respect to agriculture, the activities of the project have led to the development of improved cropping models, with a good adoption rate by farmers.

86. The impact of the project on institutions is quite significant:

(a) The project has no doubt been instrumental in of the benefits and sustainability at grassroots/civil society level;

(b) The targeting approach adopted by the projects and the CDAs has resulted in women participation of over 40%;

(c) CDA’s well-trained female loan officers demonstrated reasonable capacity to gradually increase their loan portfolio and outreach to more clients;

(d) The boards of the CDAs are committed and are adequately supporting the CDAs in client screening and follow up, fully understanding the positive connotations between solid credit screening, post-disbursement monitoring and economic impact;

(e) The CDAs are now enjoying better institutional capacity following their licensing under the new microfinance law of 2015, and are in a more secure position to deliver rural finance to their beneficiaries;

(f) The capacity of SFD as a lending institution to serve very small microfinance institutions in rural areas has improved, with mostly solid procedures, confirmed personal and departmental responsibilities in place and an improved understanding of how good and how fast village finance works and can be promoted through a governmental body.

87. The project has positively impacted on the lives of beneficiaries by empowering them to increase their incomes and subsequently their household expenditure on food, health and education; and by creating incremental employment opportunities.

88. **Physical and financial assets (moderately satisfactory)**. The discussions that mission members had with borrowers, revealed that the project has improved the productive and financial assets of its target groups (which is to be expected under a project with almost 47,000 borrowers and very good loan repayment rates at all levels). The full impact on physical and financial assets will be documented in the project completion report on the basis of a deeper and wider impact assessment. Given the meticulous loan follow-up of CDAs and the direct transformation of loan funds into productive assets needed for business,

89. **Food security (moderately satisfactory)**. The project is operating at a very small scale and therefore does not impact the overall food security situation in the entire country, but ‘only’ of a couple of ten thousand farmers. Discussions with project beneficiaries revealed that a vast majority of borrowers and farmers adopting the new farming models have increased their spending on food, both in terms of quantity and quality, as a result of income increases induced by the UERDP. The main improvement lies in the increased incomes of both farmers and borrowers, as presented below. In case data validity could be verified during an impact study, the extent of income increases is significant.

90. **Increase in incomes**. The 2013 impact assessment geared predominantly at borrowers strongly indicates that the project has had a major positive impact. The survey, which covered 31 CDAs and a sample of 130 borrowers (65 in each governorate) from amongst the targeted group and beneficiaries, revealed that:

- 86% of respondents in Assiut and 89% in Qena observed an increase in income after receiving the loan, against 8% of borrowers who observed no changes and 6% in Assiut and 3% in Qena who indicated that their income even decreased after accessing the loan;
- 72% of the interviewed borrowers in Assiut and 77% in Qena indicated that they have purchased small assets after receiving the loan from the UERDP and upon increasing their income;
- 94% and 97% of the interviewees in Assiut and Qena have increased their spending on food (in terms of quantity, quality or both) after receiving the loans.
- 80% of respondents in Assiut and 85% in Qena stated that they had increased their spending on health services, be it to buy a medicine that was prohibitively expensive for them before acquiring the loan, or to visit a clinic or a doctor who was too expensive previously;
- 58% of respondents in Assiut and 62% in Qena indicated that they have increased spending on the education of their children;
- 62% of respondents in Assiut and 66% in Qena were able to create additional jobs (other than the one for the enterprise owners);
- All interviewees felt more independent after accessing the loan
- 81% of the interviewees in Assiut and 85% in Qena felt more respected by their wives/husbands;
- All interviewees indicated that there was no effect of the loan on increases in work pressure and family problems;
- More than 85% of respondents in both Governorates indicated their keen interest in additional protective mechanisms, such as pension, health insurance and other forms of insurance.

91. A compilation of yields, gross and net profit rates, adoption rates and adopters under the farming system research activities over the past five years indicates very positive income increases for farmers. As shown in the table below, farmers adopting the new crop models generated a total net income increase of almost EGP 115 million, equivalent to USD 13.0 million, which represents 63% increase in 2014/2015. Detailed tables by year, crop model and governorate are presented below in Appendix 9. Like with the data above on the impacts of borrowing from CDAs, these data have been generated through a study commissioned by the NPCU, for the credit activities, and by the FSRU as regards farming models. Given their limited scope, and the vested interests of the institutions, these would need to be verified during a proper independent impact assessment that should be commissioned as part of exit strategy well before the project completion.

Table 7: Incremental profits of farmers adopting new cropping models during 2010/11 - 2014/15

Governorate	**Qena**				**Assiut**			**Total**
Model	4	9a	9b	9c	2	4	5a	
Incremental profits	42,18	17,45	49,03	0,05	3,19	2,55	0,25	**114,70**

N.B.: Amounts in EGP million

92. **Policy impact.** There is no visible significant policy impact evidence at this stage of the project.

H. Conclusion

93. The overall assessment of the mission is that project implementation performance is **moderately satisfactory**.

94. As a result of the introduction of new licenses for CDAs, and the restriction for SFD to grant loan to CDAs without a valid license, the disbursement of loans to CDAs was affected for a period of about 18 months. The devaluation of the national currency since appraisal, and more especially the most recent one of March 2016, has increased the available funds for lending to CDAs. With about ten months to completion, the main challenges of the project implementers are to ensure that the overall objectives and goals are achieved during the remaining time. The key to this is an accelerated disbursement of SFD of the remaining credit line to CDAs in a sustainable manner. This requires highly concerted and coordinated efforts on the side of SFD at Governorate and headquarters levels in processing loan applications of suitable CDAs, following up on their applications, ensuring minimum delays for internal appraisal and approval processes, including the credit committee and internal audit, and constant follow-up of SFD on CDA internal disbursement to their clients. This necessitates closer interaction between the SFD, NPCU and IFAD on the disbursement situation, and a monthly reporting to share results among the relevant actors. A second concern is the ability to draw the lessons from UERDP for the implementation of PRIME.

95. Given the upcoming completion date for the UERDP in March 2017, there is a need to start compiling all documents and data needed for the project completion report, and to commission the impact study on the measurable impacts and results achieved under UERDP. This would also be the proper place to review the assumptions underlying the UERDP and draw lessons from the project. These lessons may include the need for capacity development of financial intermediaries (CDAs) to be funded under the IFAD loan proceeds, the need to occasionally review the loan appraisal and disbursement process among partners without endangering financial discipline, the appropriateness or futility of some approaches to marketing of agricultural products and promoting farmer organizations, and the time horizons needed to promote new cropping patterns and models strictly oriented towards expressed needs of farmers.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Egypt			Project ID	1376	Loan/DSF Grant No.	716
Project	Upper Egypt Rural Development Project					Top-up Loan/DSF Grant	n.a.
Date of Update		7-JUN-2016					
Supervising Inst.		IFAD					
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	2				
Last Supervision	31-Oct-13-Nov 2015	Last Implementation Support/Follow-up mission	May 2015				

					USD million	Disb. rate %
Approval	14-Dec-2006			Total financing	19.85	
Agreement	07-Mar-2007	Effectiveness lag	9.5	IFAD Total	16.13	
Entry into force	24-Sep-2007	PAR value	--------	IFAD loan	15.18	77
First disbursement				DSF grant		
MTR	10-Jun-2012	Last amendment		IFAD grant	0.95	100
Original completion	30-Sep-2015	Last audit	DEC 2015	Domestic Total	3.71	
Current completion	31-Mar-2017			Government (National)	3.71	20
Original closing	31-Mar-2016			External co-financing total		
Current closing	31-Sep-2017					
No. of extensions	1					

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	3	3	2. Performance of M&E	3	3
3. Counterpart funds	3	3	3. Coherence between AWPB & implementation	3	3
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	5	5
6. Quality and timeliness of audits	4	5	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Agriculture Competitiveness Enhancement	3	3	1. Institution building (organizations, etc.)	5	5
			2. Empowerment	4	4
3. Financial Services	5	4	3. Quality of beneficiary participation	5	5
4. Marketing & Enterprise Development	3	3	4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	4	5

B.5 Justification of ratings

Egypt has been experiencing political and economic instability following the 2011 revolution. Real GDP growth declined to about 2% during the period 2011-14, and growth for 2015 is about 4%. As a result of political uncertainty and continuing social unrest, vulnerability particularly of the poorer segments of the population has increased. Project implementation slowed down consequently in 2012-14 and reduced the flow of services and benefits to target groups. This motivated IFAD to grant an extension of the UERDP by 18 months to assist implementing agencies achieve their targets and beneficiaries to reap benefits. When SFD was about ready to implement the remaining activities, a new law on microfinance was passed which prevented SFD from lending to CDAs before they obtained a license. The disbursement rate of the lending activities is therefore low. This led to a decline in rating on several aspects. However, the outreach of the project in general, the quality of the lending activities of CDAs to their clients, and the repayment rates are still very good, confirming positive economic returns generated the credit discipline of borrowers, the institutional discipline of CDAs, and the robustness of the project's microfinance model. With respect to agriculture, MALR's extension and farming systems research activities, this has towards the end of the project facilitated net profits in the pockets of farmers of more than EGP 70 million. These benefits are a multiple of the respective costs incurred by the GOE at national and governorate levels, and appear in retrospect as an excellent investment made by the Government and IFAD. Agricultural marketing activities, which are critical for enabling poor farmers to access markets and increase financial returns, are delivering sub-optimal results. The small and medium enterprise (SME) financing activities are frozen due to PBDAC's reluctance to revolve principal repayments into new loans. The SFD's internal controls are robust and functioning, although fraught with some level of redundancy and inefficiency due to lack of coordination. Weaknesses are noted at NPCU level, although the promptness and quality of audit improved. The NPCU thus needs some improvement to fully comply with IFAD's requirements. Counterpart funds of the GOE have not been forthcoming as anticipated, putting at risk the implementation process. As noted before, the financial and in kind contributions of SFD and GOE have not been recorded systematically since inception.

Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	5	4
C.3	Quality of natural asset improvement and climate resilience	4	4
C.4	Overall implementation progress (Sections B1 and B2)	4	4

Rationale for implementation progress rating:
The Small Enterprise Development Organisation (SEDO) of the SFD has supported marketing activities through a range of activities. It has developed marketing templates and distributed processors/exporters/local market contact lists to support the marketing information system used by FMAs and marketing committees; this was expected to assist FMAs to plan their agricultural production annually, and to estimate exporters' contracted volumes for the next season. In retrospect, these do not appear to be sufficient to have a visible impact. The extension methodology applied to date seems to be adequate for the introduction and adoption of new technologies and improvement of crop and livestock production activities. The methods applied include training sessions (classroom and field-based), workshops, demonstration plots on farmers' fields linked to field days and harvest days, exchange visits, and home visits to single or clusters of households (particularly for women, or for situations requiring surveillance and intervention). Disbursement on the line of credit by SFD is behind schedule, much of this can be attributed to the social and economic circumstances of the country since 2011, the need for CDAs to comply with new licensing requirements introduced in November 2014, and insufficient focus of SFD on timely disbursement.

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

Rationale for development objectives rating:
An impact assessment of the project's microfinance and SME finance undertaken in 2013 noted that: (1) the project has been successful in instilling the principles of sustainability and cost recovery at grassroots/civil society level; (2) CDAs used as financial intermediaries were found to be well governed and sustainable institutions; (3) the project has positively impacted on the lives of borrowers by empowering them to increase their incomes and subsequently their household expenditure on food, health and education; and by creating incremental employment opportunities. Reaching outreach target at project completion will depend on the ability of SFD to fully disburse the line of credit to CDAs without endangering repayment rates. Significant income increases have been achieved through the farming systems development activities, following the data captured by the partner institution FSRU, these need to be verified and broadened during the final impact assessment.

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

Fiduciary aspects	Several weaknesses are noted at NPCU level. Accounts are maintained manually. The disbursement rate against the AWPB has been low, although the result for 2014/15 has been mostly caused by the new law on microfinance, which prevented further disbursements. The timeliness of audit report submission improved. No systematic records have been maintained on the provision of Government's

	contribution to the project in a timely manner, and the data available at the time of the mission indicate that these contributions are not adequate. Financial contributions of the GOE to the project have been below agreed amounts.
Project implementation progress	Microfinance activities performed by SFD through CDAs have shown satisfactory results so far. However, the disbursement rate under the line of credit is however only 77%, 10 months before the extended completion date. Full disbursement and reaching the outreach targets will require significant efforts and coordination by SFD, and very close monitoring by IFAD and the NPCU. The project has supported several associations to market their products on contractual basis with traders for the local market (in Assiut and Qena) or with exporters (mainly in Qena). As previous missions noted, the relationships between CDAs/FMAs and traders/exporters are sporadic and show weaknesses, in particular as regards the application of contract farming in commodities without price premium, inadequate capacity on the side of the traders contracted, inconsistent demand, output delivery problems, quality deficiencies, lack of food quality and safety certification, among others. The marketing component remains the weakest component of UERDP, with adverse effects on the flow of benefits.
Outputs and outcomes	Limited progress in linking Farmers Marketing Associations (FMAs) to markets, especially commercial operators (exporters-agro-processors-traders) may create a risk regarding members' willingness to remain engaged in these associations hence the expected project outcome of empowering them. While the engagement of private sector partners should become a priority, there are no funds under UERDP to pursue this; consequently, this should be transferred to PRIME, the successor project. Unless some capacity development is provided to CDAs, their ability to satisfy client demand, expand their loan portfolio and fully absorb the credit line is not established. This may be partly accommodated under PRIME, where funds for capacity development have been earmarked. Achieving outreach and impact targets will ultimately depend on the ability of SFD to disburse loans to CDAs during the remaining 10 months.
Sustainability	The current financial intermediation system is viable and sustainable. In the medium and long run, additional investments are needed to assist CDAs provide relevant services in line with demand, and at affordable prices and acceptable terms and conditions. There is an urgent need to coordinate capacity development for CDAs with EFSA and EUMF, and eventually other donors. While MALR will continue funding extension services through its statutory budget; there is limited scope at the moment for introducing cost recovery for extension services.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Undertake all efforts to ensure full disbursement of the available resources under UERDP to CDAs before 31.3.17	SFD	immediately till completion	
Report monthly on the disbursements to CDAs	SFD	starting JUN 2016	
Commission a documentation of the farming systems activities	NPCU	JUN 2016	
Shift the implementation of a systematic capacity development needs assessment of CDAs and preparation of a CD plan for CDAs to PRIME	NPCU, SFD	immediately	

Additional observations: By September 2016, the preparation for a final impact assessment of the UERDP should be started, and the respective studies commissioned.

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

Narrative Summary	Verifiable indicators	Means of verification	Risks/Assumptions
Goal			
Poverty reduction and improved livelihoods of smallholder households, the landless labourers, female headed households and the unemployed youth in the project area.	• Poverty indicators. (Improvements in HH assets); • Reduction in the prevalence of malnutrition for children under five (weight for age, height for age, weight for height); • Reduction of gender gap rate in unemployment.	• National Household Living Standard Surveys for project Governorates; • Baseline and socio-economic surveys (gender-disaggregated); • Representative household surveys at mid-term and project completion (gender-disaggregated); • Participatory impact monitoring to complement household surveys; • Project monitoring reports.	• Continued Government commitment to pro-poor macro-economic policies and institutional reforms; • Recent decline in economic growth (since early 2011) reversed; • Enabling policy framework for women employment.
Purpose/objective			
Project target group has improved access to credit, has better employment opportunities and increased income.	• No of target group, men and women, able to access repetitive credit for micro-enterprise development and income generating activities; • No of full time and temporary jobs created, by gender; • Percentage increase in income of project target group, by gender.	• GOE employment statistics; • Baseline and socio-economic surveys (gender-disaggregated); • Representative household surveys at mid-term and project completion (gender-disaggregated); • Participatory impact monitoring to complement household surveys; • Independent assessments (including evaluations); • Project monitoring reports.	• Decentralization policies continued; • Collaboration with gender advocacy agencies established.
Outcomes			
• Farmers adopted technologies for improved production and yields; • Farmers competitiveness and marketing enhanced; • Intermediate institutions offer sustainable services for production, and livestock; • Financial intermediaries operating in a sustainable manner.	• Percentage increase in crop and livestock production and crop yields by the small farmers and gender; • Increase in crop and livestock production and returns per unit land and water; • Number of farmers of FMAs adopting technology, by gender. • Increase in volume of trade generated and margin of profit by SMEs and income generating ventures; • % of portfolio at risk (outstanding balance of overdue loans); • Number of intermediary institution achieving operational sustainability.	• Surveys and questionnaires; • Participatory validation method at village level.	• Trade opportunities on international markets; • Urban markets continue to maintain increased demand for agricultural produce.
Outputs			
• SMEs developed and opportunities for sustainable employment and	• Number of marketing associations established; • Number of people in marketing groups	• Project monitoring reports; • Annual progress and supervision reports.	• Best practice by SFD and MFIs implemented.

Narrative Summary	Verifiable indicators	Means of verification	Risks/Assumptions
income generation expanded; • Capacities of SMEs improved; their productivity; • Financial services enhanced and accessible on sustainable basis; • Demand driven farming system research and extension for crop and livestock expanded; • Marketing groups formed and strengthened; • Community groups formed and strengthened.	strengthened, by gender; • Enterprises developed by type, size; • Number of people trained in entrepreneurship/businesses, by gender; • Number of active borrowers, by gender; • Volume of loans provided; • Number of on-farm research carried out on high value crops and livestock; • Number of women and men attending training, extension, demonstration activities (ratio in range of 50%); • Number of people in community groups trained/strengthened.		• MALR decentralization of extension and research continues.

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

Action agreed (Recommendations (1)-(8) from the 2013, 1.-3. from the 2014 and a)-(n) from the 2015 supervision missions)	**Responsibility**	**Agreed date for action to be taken**	**Progress in completion of action**
(1) Conduct market intelligence and value chain mapping for key cash crops to facilitate market linkages with traders and exporters. Assess and strengthen the technical capacities of FMAs/CDAs to meet volume and quality requirements, and their institutional capacities to manage supply contracts and support their members.	NPCU; GPCUs; MALR	as a top priority	Value chain mapping done without follow up by FMAs/CDAs FMA/CDA assessment still not done
(2) Facilitate contracts between processors/traders and 1-2 FMAs/CDAs in each governorate, in line with proper supply chain management principles and procedures. These will also serve as models for expansion of contract farming arrangements. In the process, support FMAs/CDAs to improve their contract negotiation skills.	NPCU; GPCUs; MALR	by August 2013	Occasionally done where opportunities arose, but data captured only comprise crop quality and location of sales by year
(3) Establish a product traceability mechanism, particularly for the supply contracts referred to above; train independent agricultural technicians from the private sector or extension to support FMAs/CDAs in this respect.	GPCUs; FMAs/CDAs	by August 2013	Some training on value chains of questionable quality for FMA and CDA members financed under PRIME
(4) Include gender perspectives in the adoption assessments, and disaggregate the adoption data by gender.	FSRU/MALR	ongoing basis	Not done
(5) Convert NPCU and GPCU staff to full-time basis.	MALR	FY 2013/14	Not done; not acceptable to MALR
(6) Consider purchasing software for data analysis.	NPCU; MALR	as appropriate	Not done
(7) The Government should provide its full contribution to the project in a timely manner, in compliance with its statutory obligations under the project.	MALR; MIC; SFD	on priority basis	No systematic recording of all contributions made; GOE contributions are behind schedule
(8) Project expenditure patterns should be stabilized to the extent feasible, with a trend towards full disbursement of IFAD and GOE funding by the project completion date.	NPCU/MALR and SFD	2013/14 & 2014/15	Partially done; main deficiencies are absorption of line of credit
1. Conduct a first assessment of UERDP impacts and needs for capacity building and prepare a systematic capacity development plan for CDAs in the next three years	SFD	1st quarter 2015	Not done. SFD considers involving EUMF and other agencies in capacity development, and plans a first course for SEP 2016, financed under PRIME

Action agreed (Recommendations (1)-(8) from the 2013, 1.-3. from the 2014 and a)-(n) from the 2015 supervision missions)	**Responsibility**	**Agreed date for action to be taken**	**Progress in completion of action**
2. Consolidate and analyse lessons learnt from project experience with a view to facilitate learning under PRIME	NPCU	by 31 February 2015	Not done
3. Purchase an accounting software to maintain the proceeds of loan and grant financing	NPCU	by 31 March 2015	Not done
a) Undertake all efforts to ensure full disbursement of the available resources under UERDP to CDAs before 31.3.17	SFD	immediately till completion	Not done
b) Report monthly on the disbursements to CDAs	SFD	starting Jan 2016 on Dec 2015	Not done
c) Commission a first assessment of UERDP impacts on CDAs	NPCU	2nd half of 2016	Not due
d) Shift the implementation of a systematic capacity building needs assessment of CDAs and preparation of a CD plan for CDAs to PRIME	NPCU, SFD	immediately	Partly done. An allocation for CD has been made under PRIME, but no needs assessment and CD plan
e) Prepare a methodology for an impact assessment of the activities, with more respect for solid methods than the surveys conducted so far	FSRU/MALR	2nd quarter 2016	Not due
f) Consolidate and analyse lessons learnt from project experience with a view to facilitate learning	NPCU on the basis of GPCU reports and suggestions	by 31 February 2016	Not done
g) Fast track the submission of the long awaited WA	NPCU	30 November 2015	Not done
h) SFD internal audit to include an end-use check as part of their annual work programme	SFD	from now onward	Not due
i) Capacity building training for CDA's accounting team on preparing financial and income statements	SFD	From now onward	Not done, planned for SEP 2016
j) Implementation of the external audit recommendations	NPCU / SFD	31 January 2016	Done
k) The project to prepare financial reports for the year as well as for cumulative period since the beginning of the project life by component, sub-component and financing source	NPCU/SFD	Quarterly basis	Not done
l) NPCU to justify the eligibility of the expenditures incurred on components 2 and 3	NPCU / IFAD	15 December 2015	Not done

Action agreed (Recommendations (1)-(8) from the 2013, 1.-3. from the 2014 and a)-(n) from the 2015 supervision missions)	**Responsibility**	**Agreed date for action to be taken**	**Progress in completion of action**
m) Utilize the financial statements template shared with the NPCU for the follow-up of the project actual expenditures and commitments in the future	NPCU / SFD	ongoing	Not done
n) Prepare the AWPBs by component, sub-component, category and financing source	NPCU	in the next AWBP	Not done

Appendix 4: Physical progress measured against AWPB, including RIMS indicators

Component		Allocated				Payments				
		Loan	Grant	Govt.	Total	Loan	Grant	Govt.	Total	% disbursed over payments
A	**Private sector development**	**4,300**	**7**	**23**	**4,330**	**408**	**3**	**0**	**410**	**9%**
	Marketing and SME development	0	7	23	30	0	3	0	3	8%
	Financial services	4,300	0	0	4,300	408	0		408	9%
B	**Agriculture competitiveness enhancement**	**0**	**33**	**40**	**73**	**0**	**36**	**30**	**66**	**90%**
	On-farm farming system research	0	20	10	30	0	20	15	35	118%
	Agriculture extension	0	13	30	43	0	16	15	31	71%
C	**Project coordination units**	**0**	**10**	**87**	**97**	**0**	**18**	**59**	**77**	**79%**
	Total	**4,300**	**50**	**150**	**4,500**	**408**	**57**	**89**	**553**	**12%**

N.B.: The NPCU does not prepare AWPBs in strict accordance with components, sub-components and their respective indicators, as per the standard model for supervision mission reports. This does not permit to present physical progress against AWPB and RIMS indicators. In addition, the current data table on all three levels have mixed the results of both the UERDP and the PRIME, and are therefore not correct. The above table only presents payments against the AWPB

Progress against RIMS indicators

Impact and outcomes	Indicators (with global target if available)	Achievement (as per M&E data)	RIMS Rating (by project)	RIMS Rating (by supervision mission)
		Impact Level		
Overall Goal. Poverty reduction and improved livelihoods of smallholder households, the landless labourers, female headed households and the Unemployed in the project purpose. Project target group has improved access to credit, has better employment opportunities and increased		The Pilot Household Survey (P.H.S) on Farming Marketing Associations (FMAs) households showed an increase among about 95% of respondents in farming income which could be attributed to three main reason:	n.a.	
		* The FSR intensification approach as reported by 76% and 81% of respondents in Assiut and Qena respectively (project aver 87.5%) * Followed by, increased yield per feddan according to 57% and 90% of respondents in Assiut and Qena respectively (project aver 73.5%) * And last, comes the use of non- traditional improved and hybrid cultivates according to 43% and 38% or respondents in Assiut and Qena respectively (project aver 40.5%)		
		Significant income increases can be directly attributed to the farming systems research and extension approach of UERDP, following the economic calculations and adoption rates measured so far; these need to be verified	n.a.	
		Outcome level		
Private sector development				
(a) Marketing and SME Development	About 50 FMAs are strengthened	The project improved FMAs farmers' technical efficiency through a number of diverse training activities. 86% of farmers received direct technical training in the application of FS and the cultivation of new hybrid cultivars while 79% received information through field meetings with researcher and extension workers. 37 of the planned 50 FMAs are currently operational.	4	3
		SFD has supported the UERDP with the needed data-templates-marketing and suppliers lists to establishing Marketing Information System (MIS) in the UERDP Marketing Associations. In this area, SFD has supported UERDP field officers to establishing a Marketing Information System in 4 Marketing Associations (MAs) (3 in Qena, 1 in Assiut) to support the roles of marketing committees in these associations. Developed the "Egypt Agricultural Directory 3013-2014," which circulated among UERDP MAs to raise its efficiency of production and marketing operations.		
(b) Financial Services	Thru 69 CDAs, 46,779 loans were disbursed to date, of which 50% to women	Under microfinance services, 69 NGOs should receive loans worth EGP 62 million. So far, EGP 246 million have been disbursed to 46779 borrowers Total number of job opportunities created: 43,344. Under small enterprise finance, PBDAC was sub-contracted and disbursed EGP 5 million, i.e. the total allocated. Total amount disbursed to end clients: EGP 5 million. Total number of loans to end beneficiaries disbursed: 197. Total number of job opportunities created: 591		5
Agriculture Competitiveness Enhancement	14,400	12,928 or 90% of the appraisal target beneficiaries were trained on adapted crop production. Sustainability of new agro practices assessed for FSR farmers at 93% and adoption by neighbouring farmers at 92%).	5	5

Physical progress measured against other indicators

Outputs by component	Indicator	AWPB (planned)	Actual	Actual/ planned	Appraisal (global)	Cumulative	%
Private sector development							
(a) Marketing and SME development	Marketing groups formed/strengthened	5	2	40%	50	50	100%
	People in marketing groups formed/strengthened (men)	200	202	101%	15700	2211	14%
	People in marketing groups formed/strengthened (women)	40	45	113%	12300	346	3%
	People trained in business/entrepreneurship (men)	NA			2000	458	23%
	People trained in business/entrepreneurship (women)	NA			1000	313	31%
	Enterprises accessing financial services facilitated (SEDO)	NA			200	197	99%
	No. of full time and temporary jobs created, by gender				30600	25913	85%
(b) Financial Services	Community groups formed/strengthened	10	6	60%	100	68	68%
	People in community groups formed/ strengthened (men) (SEDO&MFCS)	3772	4415	117%	11325	20026	177%
	People in community groups formed/ strengthened (women) (SEDO&MFCS)	923	3139	340%	2875	14181	493%
	Financial institutions participating in project (SEDO & MFCS)	6	6	100%	101	69	68%
	Active borrowers (men) SEDO		32				
	Active borrowers (women) SEDO		9				
	Active borrowers (men) MFCS		6679				
	Active borrowers (women) MFCS		4642				
	Value of gross loan portfolio (SEDO &MFCS) in '000	3 000	6 055.3				
	Volume of loans provided					23 400	
Agriculture competitivenes s Enhancement	People trained in crop production practices and technologies (men)	384	225	59%	5760	1912	33%
	People trained in crop production practices and technologies (women)	96	36	38%	1440	492	34%
	People trained in livestock production practices and technologies (men)	336	116	35%	5760	1321	23%
	People trained in livestock production practices and technologies (women)	84	103	123%	1440	781	54%
	Staff of service providers trained (men)	96	33	34%	120	1308	1090%
	Staff of service providers trained (women)	24	71	296%	40	318	795%
Outreach (no. of units receiving project services)							
Households		2281	2491	109%	20000	16359	82%
Individuals	5955	8385	141%	80000	65437	82%	
Communities					2993	387	13%

N.B.: The above two tables have been reproduced from the 2014 Supervision Mission report. The NPCU only updates these tables once per year, and will finalize the next update by December 2015.

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

Table 5A a: Financial performance by financier as at 26 May 2016 (Appraisal vs Actuals)

Financier	Appraisal	Actual	Balance	In % of actual
IFAD Loan	15184	11056	4128	77 %
IFAD Grant	952	951	1	99,9%
Government	3714	613	3101	16,5%
Total	19850	12620	7230	63,6%

Note: Amounts in USD ‘000

Table 5A b: Financial performance by financier as at 26 May 2016 (Appraisal vs Actuals & Commitments)

Financier	Appraisal	Actuals	Commitments	Balance	Actual in % of commitments
IFAD Loan	15184	11056	150	3978	73,8%
IFAD Grant	952	951	0	1	99,9%
Government	3714	613	0	3101	16,5%
Total	19850	12620	150	7080	64,3%

Note: Amounts in USD ‘000

Table 5A c: Financial performance by financier as at 26 May 2016 (disbursement in USD)

Financier	Appraisal	Disbursements	Balance	Disbursement rate
IFAD Loan	15184	12003	3181	77 %
IFAD Grant	952	996	-44	100 %
Government	3714	613	3101	16,5%
Total	19850	13612	6238	68,6%

Note: Amounts in USD ‘000

Table 5B a: Financial performance by financier and component (in USD '000) against AWPB 2015/2016 as of 26 May 2016

Component		Budget				Actuals				%
		Loan	Grant	Govt.	Total	Loan	Grant	Govt.	Total	Actuals
A	**Private sector development**	**2,590**	**0**	**10**	**2,600**	**188**	**0**	**10**	**198**	7,6%
	Marketing and SME development	0	0	10	10	0	0	10	10	100,0%
	Financial services	2,590	0	0	2,590	188	0	0	188	7,3%
B	**Agriculture competitiveness enhancement**	**0**	**30**	**40**	**70**	**0**	**18**	**6**	**24**	34,3%
	On-farm farming system research	0	10	20	30	0	15	6	21	70,0%
	Agriculture extension	0	20	20	40	0	4	0	4	10,0%
C	**Project coordination units**	**0**	**5**	**75**	**80**	**0**	**16**	**14**	**30**	37,5%
	Total	**2,590**	**35**	**125**	**2,750**	**188**	**34**	**30**	**252**	9,2%

N.B.: The NPCU does not prepare AWPBs in strict accordance with components, sub-components as per the standard model for supervision mission reports. The above table presents budget versus actuals of 2015/2016 AWPB approved budget. The GOE contribution includes SFD's in-kind contribution under Marketing and SME development sub-component and project coordination component and is based on estimates.

Table 5B b: Financial performance by financier by component (USD '000) as of 26 May 2016

Component		IFAD Loan			IFAD Grant			Government			Total		
		Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A	Private sector development	15,184	11,056	73%	952	395	41%	565	24	4%	16,701	11,475	69%
B	Agriculture competitiveness enhancement	0	0		0	196	#DIV/0!	615	62	10%	615	258	42%
C	Project coordination units	0	0		0	360	#DIV/0!	2,534	527	21%	2,534	887	35%
	Total	**15,184**	**11,056**	**73%**	**952**	**951**	**100%**	**3,714**	**613**	**17%**	**19,850**	**12,620**	**64%**

N.B.: The figures in the tables above are as provided by NPCU of the actual amount spent from different financing sources against each component including GOE contribution. Amounts incurred in Egyptian Pound BY NPCU were converted using an average exchange rate for each financial year. The in-kind contribution of SFD has been included for the year 2015/16 only and based on estimation.

Table 5C a: IFAD loan disbursements as at 26 May 2016 (SDR '000)

Category	Allocation (1)	Disbursement (2)	Balance (1) - (2)	% disbursement (2) / (1)
Authorized allocation	0	641	-641	
Credit fund	10,050	7,128	2,922	71%
Total	10,050	7,769	2,281	77%

Table 5C b: IFAD grant disbursements as at 26 May 2016 (SDR '000)

Category	Allocation (1)	Disbursement (2)	Balance (1) - (2)	% disbursement (2) / (1)
Advance of funds	0	226	-226	
Contractual services, TA, studies and training	635	409	226	64%
Total	635	635	0	100%

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Article II. Section 2.03 (a)	As soon as practicable after the date hereof, the Borrower, through SFD, shall open and thereafter maintain in a commercial bank, acceptable to the Borrower and the Fund, a Special Account, dominated in USD, for the purpose of financing the loan activities. The Special Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.	As soon as practicable	Complied with	
Article II. Section 2.03 (c)	The SFD, on behalf of the Borrower, shall be fully authorised to operate the Special account in accordance with Section 4.08 of the General Conditions.	Continuous	Complied with	
Article II. Section 2.04(a)	As soon as practical, the Borrower, through MALR, shall open and thereafter maintain in a commercial bank, acceptable to the Borrower and the Fund, a Grant Bank Account, dominated in USD for the purpose of receiving grants proceeds. The Grant Bank Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.	As soon as practicable	Complied with	
Article III. Section 3.02(a)	The representatives of the MALR and SFD in each GPCU shall prepare a draft consolidated AWPB for the Loan and Grant, for each Project Year on the basis of Community Action Plans (CAPs). The draft AWPBs shall include a procurement plan in accordance with the Procurement Guidelines and in respect of expenditures to be financed from the grant.	60 days before beginning of each year	Partially complied with	The consolidated AWPBs are not based on CAPs. The most recent AWPBs did not contain a procurement plan
Article III. Section 3.02(b)	Each GPCU shall submit the draft AWPB to the NPCU for its clearance. When so cleared, and with exception of the AWPB for the project year, the NPCU shall submit the relevant draft consolidated AWPB to the Fund, for their comments, not later than 60 days before the beginning of the relevant Project Year. If the Fund does not comment on the draft AWPB within 30 days after receipt, the respective AWPB shall be deemed cleared by the Fund. The NPCU shall submit the AWPB for the Project year no later than (60) days after the Effective date	60 days before beginning of each year	Partially complied with	The consolidated AWPB have at times been submitted to the Fund with delays. The most recent AWPB 2015/16 was submitted in May 2015, slightly less than the 60 days stipulated
Article III. Section 3.03	The Borrower shall the proceeds of Financing available to the Lead Project Agencies and each other Project Party in accordance with the AWPBs to carry out the Project in accordance with this	After Effectiveness	Complied with	The loan proceeds are fully managed by SFD.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
(a)	Agreement. In particular, the Borrower shall make IFAD loan proceeds available to the SFD through a subsidiary loan agreement			
Article III. Section 3.03 (b)	The Borrower shall make adequate budgetary allocations for the Project in accordance with AWPBs.	Annually	Partially complied with	The flow of fund from government allocation was neither timely nor sufficient in recent years.
Article IV. Section 4.01	Monitoring. As soon as practicable but in no event later than 3 months after the effective date, 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	No later than 3 months after the Effective Date	Partially complied with	Only SFD has an information management system
Article IV. Section 4.01	Progress Reports. The NPCU, through MALR and SFD, shall submit to the Fund annual progress reports on project Implementation, no later than two (2) months after the end of each year during the project Implementation Period	No later than 2 months after the end of each year	Partially complied with	Reports are submitted with delays
Article IV. Section 4.03 (a)	Mid-Term Review. The Fund and the Lead Project Agencies shall carry out a review of Project implementation no later 48 months after the Effective Date.	48 months after the Effective Date	Compiled with	
Article V. Section 5.02 (b)	The NPCU, through SFD, shall deliver such audited financial statements to the Fund within six months of the end of each Fiscal Year. The NPCU, through SFD, shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof.	Within six months of end of each Fiscal Year	Partially complied with	The audited financial statement for the Fiscal Year ended June 2014 was submitted with delays
Schedule 3, Para 1.1	MALR will be responsible for the implementation of the Grant and SFD for the Loan		Complied with	
Schedule 3, Para 2.1	Project Steering Committee (PSC): a) *Composition*: The PSC will be chaired by the Minister of the MALR, or his representative, with membership of the Governors of Assiut and Qena, or their representatives, representative of Ministry of International Cooperation, Ministry of State for Economic Development and Ministry of State for Development, the Managing Director of the SFD and a high office representative of the National Council for Women. The National Project Coordinator will be an ex-officio of the PSC and the NPCU will serve as its Secretariat. (b) *Responsibilities*: At the National Level, the PSC will have a primary responsibility of guiding the project implementation activities, approving AWPBs and other key policy decisions		Partially complied with	The current PSC is apparently not composed as stipulated

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Schedule 3, Para 2.2	National Project Coordination Unit (NPCU): a) Establishment. The Borrower through MALR and SFD, shall: (1) establish a NPCU in Cairo and (2) select and appoint the National Project Coordinator and all positions following a transparent and competitive process. b) Composition. The NPCU shall be headed by the National Project Coordinator and composed of an accountant, a monitoring officer and a secretary, c) responsibilities: The NPCU shall have the following responsibilities: coordinate Project activities among stakeholders and office of Governors and SFD, prepare the PIM, arrange for audit preparation, submit to the Fund progress reports, withdrawal applications and Audit Reports		Complied with	
Schedule 3, Para 3	Governorate Project Coordination Unit (GPCU), a) Establishment. At each governorate, a small Project Coordination unit (GPCU) will be established with the same composition and responsibilities as the NPCU, for each respective governorate.		Complied with	
Schedule 3, Para 5.1 & 5.2	The NPCU shall prepare a draft Project Implementation Manual within six months from the effective date and submit to the Fund for comments and approval.	6 months from effective date	Not complied with	No PIM in place
Schedule 3 A, Para 1	Pest Management Practices. As part of maintaining sound environmental practices as required by section 7.15 of the General Conditions, the Project Parties shall maintain appropriate pest management practices under the project and, to that end, the Borrower shall ensure that pesticides procured under the Project shall not include any pesticide either prescribed by the Int. Code of Conduct on the Distribution and Use of Pesticides of the FAO, as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the WHO Recommended Classification of the Pesticides by Hazard Classification 1996-1997, as amended from time to time		No information available	It is unknown whether in the past, the FSRU in charge of agricultural research has used any pesticides, and whether these are prohibited as listed in the FA. The PIM and contracts prescribe that the FSRU should only use bio-fertiliser and bio-pesticides.
Schedule 3 A, Para 2	Gender Focus. The Borrower shall ensure that equity between male and female is applied in the recruitment of project staff and the beneficiaries are equally targeted within the project		Partially complied with	Gender distribution if fairly equitable as regards (1) staff in the NPCU and the GPCUs, and (2) lending activities, but imbalanced as regards marketing, research and extension activities

Appendix 7: Knowledge management: Learning and innovation

Learning

What has worked well under the UERDP are:

(1) the articipatory approaches applied at the beginning of the project to establish linkages first with Marketing Associations and the private sector, to initiate a dialogue between actors/players, and to establish lists and rosters of products, product maps, and lists of produce requirements by buyers/processors as required by the market;
(2) the use of CDAs as financial intermediaries;
(3) the use of microfinance to reach out to women;
(4) the involvement of SFD to refinance CDAs;
(5) the involvement of the FSRU to develop new techniques and models of production, with less consumption of inputs (water, fertilizer) other than seeds, but higher productivity;
(6) on-farm demonstrations to farmers to facilitate their understanding, which led to reasonable adoption rates (as preliminarily measured, to be confirmed).

What has not worked so well includes:

(1) the entire marketing activities, in the absence of a competent, knowledgeable person in charge and a solid methodology to support marketing;
(2) the recording of sales of farmer associations to traders;
(3) efforts to establish contract farming;
(4) the wider dissemination of the new production models of FSRU within Upper Egypt;
(5) instilling culture of orienting microfinance services towards good international practices;
(6) building the capacity of CDAs and transforming their microfinance activities gradually into more professional microfinance institutions.

The main reasons for the above deficiencies include the absence of a sound concept for marketing (points 1, 3 above), the absence of a knowledgeable person in charge of the implementation of the marketing sub-component (points 1, 2, 3 above), complacency, the absence of a driver and sufficient funding (point 4 above), and the absence of a vision and adequate funding (points 5, 6 above).

Innovation: Describe any interesting innovation noted during supervision

In much of North Africa, Near East, Eastern Europe and Central Asia, governments have adopted a policy to borrow mostly for infrastructure and loan funds from IFIs, such as IFAD. Such borrowing for hard items is opposed to 'soft' items, such as capacity development in all forms, which are tried to be kept as small as possible. The cases of both UERDP and PRIME have shown that a single constraint, such as lack of access to capital for investments or operating costs, may soon be overcome, once banks and microfinance institutions start lending without artificial barriers. Once this is achieved, the next level of development is more difficult to overcome, and requires enhanced capacity within the lending institutions, and of the clients. Unless such capacity building has been accomplished successfully, the system remains stagnant, does not contribute fully to the development process, keeps micro entrepreneurs poor rather than helping them to get out of poverty. During the field visits and the ensuing discussions, there seems to have been a growing sentiment among the participating representatives that new approaches are now needed, with MFIs in the centre. These will have to use better software to generate data to learn how to move on, new products and services, and a deeper understanding of good microfinance practices and how to understand and assess their current and potential new clients, to protect the poor and the MFIs. This process of learning from the clients and the staff of MFIs will need to be enhanced to decision makers in the ministries in charge of international cooperation and finance in order to maintain a momentum for a paradigm shift in these countries.

Some MFIs only pay their accountants and bookkeepers a monthly salary of EGP 150, less than USD 20. When SFD offered them a loan tracking software to enable the MFIS prepare the required data, many of them accepted this, especially as SFD covered the cost of the software for the first year. When the MFIs were asked to renew their licenses, they refused to pay for the comparatively low and affordable costs, saying that they could finance four additional accountants a year for the cost of the software license. This clearly shows the cost consciousness of the MFIs, their reluctance to invest into their own systems and development as a result of the unclear future, and the lack of exposure to more developed systems. This further shows that it may not be appropriate to assume that MFIs would be ready to assume the cost of loan tracking software at all costs, and that the procurement of a quick technical solution without a definite buy-in from the end users may not be a sustainable approach.

Appendix 8: List of persons met

Name	Title	Location
Social Fund for Development Meeting in Cairo 1- Amany Youssef 2- Nevine Badr El-Din 3- Rabab Yousry 4- Ahmed Fadl 5- Amal Gamal El-Din 6- Mohamed Soliman 7- Mai Ismail 8- Mona EL Shafei 9- Ahmed Abdel Meniem 10- Hanan Abo El- Azm 11- Howaida El Hawary 12- May shams El Din	1- MFCS 2- MFCS 3- MFCS 4- MFCS 5- Financial follow-up of the conventions Dept. 6- Financial follow-up of the conventions Dept. 7- Financial follow-up of the conventions Dept. 8- Financial follow-up of the conventions Dept. 9- Central Sector for Auditing 10- Credit Risk Management 11- Monitoring of Agreements Sector 12- Monitoring of Agreements Sector	**Cairo**
1- Sayed Hussein 2- Khaled Farid 3- Sameh Mohii 4- Hussein El Barii	1- Executive Manager 2- Monitoring &Evaluation Officer 3- Financial Manager 4- Farming System Officer Economist	**NPCU**
1- Montasser Mohamed 2- Mahmoud Abdo Hendawi 3- Mohamed Gharib Shabeb	1- Deputy manger 2- Landing Unit Officer 3- Landing micro unit Officer	**Qena** **SFD Office**
NGOs & Beneficiaries Department of Agriculture (Livestock Development Association) 1- Amal Ismail 2- Imane Mohamed 3- Hossam El Din Barbari 4- Mohamed Saad 5- Ahmed Mahmoud Atta 6- Ashraf Ali	1- Agr. Department Manger 2- Project Manager 3- M&E Officier 4- Coaching Officier 5- Chairman of Board of Directors 6- Project Accountant	**Qena**
Agricultural Directorate: **NGO in EZBA** 1- Mahmoud Abdel Salam 2- Ibrahim Lokman 3- Mohamed Hesham Abdel Rehim 4- Abdel Rahman Monir The Beneficiaries of the NGO 5- Ahmed Mohamed Said 6- Fawzeya Zarea 7- Sami Samir Toma	1- Specialist in Development in the Dep. 2- Project Accountant 3- Evaluation Officer 4- Evaluation Officer 5- Agriculture Awareness 6- Cattle Fattering 7- Poultry Project	**Qena**
NGOs & Beneficiaries NGO Garagos For Community Development 1- Mahmoud Mohamed Sayed 2- Ahmed Redaa Allah Mohamed 3- Afaf Amin Mohamed 4- Nagaa Mohamed Salah El Din 5- Hayam Ebbid 6- Gihane Abdin Ali 7- Fath Allah Abou El Wafaa Shahat	1- Chairman 2- Member of Board Directors 3- Credit Officer 4- Credit Officer 5- Credit Officer 6- Credit Officer 7- Project Manager	**Qena**

Name	Title	Location
8- Laila Ali Hassan 9- Fathy Abou El Fadl 10- Ahmed Hussein khalil 11- Fayez Mohamed Badia 12- Kheir Mahmoud Nasr El Din 13- Mohamed Abdel El Raouf 14- Mohamed Ramadan	8- Project Accountant 9- NGO'S Treasure 10- Loan Officer 11- Member of Board Director 12- NGO 's Secretary 13- Project Manager 14- Treasurer	
Garagos NGO Beneficiaries 1- Sabah Mohamed El Molakab **Motera NGO's Beneficiaries** 2- Hend Ali Mohamed 3- Madnia Abdallah Mohamed	1- Cattle 2- Poultry project 3- Cattle project	**Qena**
NGO Community for Development in Ghanaiem: 1- Fathi Ahmed Abbas 2- Sanna Ali Mohamed 3- Fotnaa Fathi Ahmed 4- Yasser Kamal 5- Amr Abdel Zaher 6- Fatheya Farrag	1. Manager Director of the NGO 2. Treasure 3. Project Manager 4. Accountant 5. Secretary of NGO 6. Woodwork & Antique workshop	**Assiut**
SFD Office 1- Osama Ahmed Ali 2- Romeh Abdel Hasib Romeh	1. Micro Credit office 2. Assiut Regional Office, Manager	**Assiut**
NGO Comm. For Maintaining the KORAN in Tanagha Shareya: 1- Osman Fayad Haridi 2- Hatem Yousry Amal 3- Amal Mahmoud Ali The Beneficiaries of the NGO 1- Said Abdallah Haridi 2- Bahiya Fathi	1. Chairman of Board of Directors 2. Project Manger 3. Consultant 1. Agricultural Machinery 2. Cattle raising	**Assiut**
Department of Agriculture 1- Mostafa Roshdi Fahim 2- Hamdi Mohamed Khalil 3- Abd El Rahman Mounir Mahmoud 4- Mohamed Hesham Abdel Rehim 5- Ibrahim Noaman Ahmed 6- Salwa Kotb 7- Naglaa Mahmoud 8- Alam El Din Mohamed Ali	1. Director Manager (Project Coordinator) 2. Project Manager 3. Monitoring & Evaluation officer (M&E) 4. Training Officer 5. Acountant 6. Gender Officer 7. Secretary & Data Entry 8. Farming System Officer	**Assiut**

Appendix 9: Summary of benefits from farming systems research

Table 8: Economic benefits during 2010-2015: model 4 in Qena

Item	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Net return without model	2649	4583	6015	5895	2605	
Net return with model	6350	9138	10825	11440	5930	
Incremental gain in EGP per feddan/year	3701	4555	4810	5545	3325	
No. of adopters in year	0	1298	2189	2482	3522	
Av. area cultivated in feddan	0,0	0,5	0,8	1,0	1,5	
No. of feddan on which model was applied	0	649	1641.75	2482	5283	
Incremental profit in EGP	0	2,956,195	7,896,818	13,762,690	17,565,975	42,181,678

Table 9: Economic benefits during 2010-2015: model 9A in Qena

Item	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Net return without model	3576	3483	6925	7613	3837	
Net return with model	6216	7054	10150	9112	7950	
Incremental gain in EGP per feddan/year	2640	3571	3225	1499	4113	
No. of adopters in year	0	62	139	249	1972	
Av. area cultivated in feddan	0,0	1,0	1,0	1,5	2,0	
No. of feddan on which model was applied	0	62	139	373,5	3944	
Incremental profit in EGP	-	221,402	448,275	559,877	16,221,672	17.451.226

Table 10: Economic benefits during 2010-2015: model 9B in Qena

Item	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Net return without model	3916	4255	6058	7176	5398	
Net return with model	3239	8736	11727	11491	10032	
Incremental gain in EGP per feddan/year	5323	4481	5668	4315	4633	
No. of adopters in year	0	2346	2432	968	2161	
Av. area cultivated in feddan	0,00	1,00	1,25	1,50	1,50	
No. of feddan on which model was applied	0	2346	3040	1452	3241.5	
Incremental profit in EGP	-	10,512,426	17,230,720	6,265,380	15,017,870	49,026,396

Table 11: Economic benefits during 2010-2015: model 9C in Qena

Item	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Net return without model	0	0	0	0	6645	
Net return with model	0	0	0	0	7210	
Incremental gain in EGP per feddan/year	0	0	0	0	565	
No. of adopters in year	0	0	0	0	171	
Av. area cultivated in feddan	0,00	0,00	0,00	0,00	0,50	
No. of feddan on which model was applied	0	0	0	0	85,5	
Incremental profit in EGP	-	-	-	-	48,308	48,308

Table 12: Economic benefits during 2010-2015: model 2 in Assiut

Item	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Net return without model	3960	4260	3308	3548	6925	
Net return with model	7375	6760	5977	6897	7950	
Incremental gain in EGP per feddan/year	3451	2500	2668	3348	1025	
No. of adopters in year	0	248	418	516	581	
Av. area cultivated in feddan	0,0	0,5	0,5	1,0	1,0	
No. of feddan on which model was applied	0	124	209	516	581	
Incremental profit in EGP	-	310,000	557,612	1,727,568	595,525	3,190,705

Table 13: Economic benefits during 2010-2015: model 4 in Assiut

Item	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Net return without model	965	5417	4560	4845	-	
Net return with model	2312	9249	7711	7453	-	
Incremental gain in EGP per feddan/year	1347	3832	3151	2608	m.v.	
No. of adopters in year	0	326	367	517	593	
Av. area cultivated in feddan	0,0	0,5	0,5	1,0	1,0	
No. of feddan on which model was applied	0	163	183,5	517	593	
Incremental profit in EGP	-	624,616	578,209	1,348,336		2,551,161

Table 14: Economic benefits during 2010-2015: model 5A in Assiut

Item	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Net return without model					2957	
Net return with model					6193	
Incremental gain in EGP per feddan/year					3236	
No. of adopters in year					152	
Av. area cultivated in feddan					0,5	
No. of feddan on which model was applied					76	
Incremental profit in EGP					245,936	245,936