



Enabling poor rural people  
to overcome poverty

## **Arab Republic of Egypt**

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### **On-Farm Irrigation Development Project in the Oldlands**

#### **Supervision report**

Main report and appendices

Mission Dates: 17-28 Jun-2013  
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## Contents

Abbreviations and acronyms	ii
A. Introduction	3
B. Overall assessment of project implementation progress	3
C. Outputs and outcomes, by component	4
D. Project implementation performance	10
E. Fiduciary aspects	12
F. Sustainability	14
G. Impact	15
H. Conclusion	15

### List of Tables

Table 1: Microfinance Operations – Oct. 2012 to mid-Jun. 2013	9
Table 2: IFAD Loan and Grant Disbursement – June 2013	13
Table 3: Disbursement Factor – February 2010 to June 2013	13
Table 4: Project Expenditure – February 2010 to June 2013 (all figures in EGP million)	14

## Appendices

Appendix 1: Summary of project status and ratings	17
Appendix 2: Logical Framework	21
Appendix 3: Physical progress measured against AWP&B and appraisal targets Period: 1-Jan 2012 to 17-June 2013	27
Appendix 4: Progress against previous mission recommendations	31
Appendix 5: Financial: Actual financial performance by financier; disbursements by category and by component (as at 14 June 2013)	35
Appendix 6: Compliance with financing agreement covenants: Status of implementation	39
Appendix 7: Learning and innovation	41
Appendix 8: Supervision mission schedule and persons met	43
Appendix 9: Summary of implementation support provided by IFAD	45

## Abbreviations and acronyms

AERI	Agricultural Engineering Research Institute
BCWUAs	branch canal WUAs
CAO	Central Audit Organisation
CDAs	community development associations
CDIAS	Central Dept. of Irrigation Advisory Service
DAs	Designated accounts
FMA	farmer marketing associations
FSRU	Farming Systems Research Unit
GPCUs	Governorate Project Coordination Units
HMA	handicraft marketing associations
IID	Irrigation Improvement Department
IIS	Irrigation Improvement Sector
MALR	Ministry for Agriculture and Land Reclamation
MOF	Ministry of Finance
MOPIC	Ministry of Planning and International Cooperation
MWRI	Ministry of Water Resources and Irrigation
NPCU	National Project Coordination Unit
NWRC	National Water Research Centre
OFIDO	On-Farm Irrigation Development Project in the Oldlands
PBDAC	Principal Bank for Development and Agricultural Credit
RIMS	Results and Impact Management System
SEDO	Small Enterprise Development Organisation
SFD	Social Fund for Development
WUA	water users' association

## **A. Introduction<sup>1</sup>**

1. An IFAD mission visited Egypt from 17 to 28 June 2013 to supervise the On-Farm Irrigation Development Project in the Oldlands (OFIDO). In Cairo, the mission met with senior officials of the Ministry of Agriculture and Land Reclamation (MALR), the Ministry of Planning and International Cooperation (MOPIC), the Ministry of Water Resources and Irrigation (MWRI), the Social Fund for Development (SFD), the National Project Coordination Unit (NPCU), and the Central Dept. of Irrigation Advisory Service (CDIAS). Field visits were undertaken to three project governorates (Qena, Sohag, Beheira) where the mission met with governorate-level officials of MALR, MWRI, SFD and other authorities, visited selected sites of irrigation investments and a sample of microenterprises financed, and met with officials of community development associations and women and men farmers. Detailed mission programme and persons met is presented in Appendix 8.

2. This supervision report reflects the mission's key findings and recommendations, and records the agreements reached with Government authorities. The issues and recommendations were discussed and agreed at two Wrap Up meetings in Cairo on 27 June 2013, the first chaired by H.E. Mr Ahmed Al Gizawy, Minister for Agriculture and Land Reclamation, and the second by Mr Mohamed Hammam, Head of Sector, Cooperation with International, Regional and Arab Financing Institutions, MOPIC, and Mr Mohamed Rashed, General Director for Regional Financing Organisations, MOPIC, with participation of MALR, SFD and NPCU representatives. This document is subject to confirmation by Government and IFAD.

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

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

4. The OFIDO constitutes an investment of USD 92 million, of which USD 60 million financed by two IFAD loans, USD 2 million by two IFAD grants, USD 19 million by Government, and USD 11 million by beneficiaries<sup>2</sup>. It was designed in 2009, approved in December 2009, became effective in February 2010, and is scheduled for completion in March 2018. The project is gradually approaching the mid-point of its implementation period.

5. The Government of Egypt has launched a comprehensive national programme for optimising irrigation water utilisation across five million feddan in the oldlands. The OFIDO's strategic objective is to develop a corresponding scalable model. The model is expected to: (i) bring together public institutions responsible for agriculture, irrigation and financial services with community associations and water users' organisations; (ii) manage cooperation among these institutions for delivery of activities and results; (iii) strengthen their organisational capabilities with private sector support as appropriate. Effective systems for M&E and documentation of change processes is fundamental.

6. The OFIDO's specific objective is to improve the livelihoods of the rural poor in selected Governorates through investments that enhance smallholder production potential and raise household incomes. The project is investing in: (i) improvements in the irrigation network; (ii) improvements in small farm productivity through integrated research and extension; (iii) marketing support for smallholders and the landless; and (iv) support for job creation and micro/small enterprises through access to rural financial services and capacity building.

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<sup>1</sup> The mission consisted of Mr Mohamed Shaker Hebara (country programme officer), Mr Tarek El Shayeb, (financial management specialist), Mr Rudolph Cleveringa (senior technical advisor, rural development, water management and infrastructure) and Mr Omer Zafar (country programme manager). Mr Samir Abo Soliman (NPCU director), Ms Howaida El Hawary (assistant general manager, planning and international cooperation, SFD), and Mr Seif Kamel (deputy manager, agribusiness development department, SFD) participated in all field visits and Mr Sayed Hussein (officer, administration for foreign agricultural relations, MALR) participated in field visits in the Delta.

<sup>2</sup> The amendment of the Financing Agreement to include the supplementary IFAD loan and grant are signed by IFAD but not yet counter-signed by Government.

7. The project was designed to cover five governorates (Assiut, Beheira, Kafr El Sheikh, Qena, Sohag) for an investment cost of USD 72 million. An IFAD supplementary loan of USD 13 million and supplementary grant of USD 1 million were approved by IFAD in December 2012 to expand the project to two additional governorates (Beni Suef and Menia).

8. **It is the mission's assessment that overall project implementation performance is moderately unsatisfactory.** Aggregate project expenditure as well as disbursement of IFAD loan and grant resources are far below target. Irrigation improvement is experiencing major delays and deviations from the agreed approach and implementation arrangements stipulated in project design and the Financing Agreement. Financial services (microfinance and enterprise finance) are constrained by a narrow interpretation of the geographical locations of lending activities, and enterprise financing has not initiated due to the difficulty of finding suitable financial intermediaries for onlending purposes. The NPCU has de facto transformed from an intended coordination unit to an actual implementation unit, without the necessary supporting authorisations, systems and operating procedures. Project financial management is weak and prone to risk, with potentially damaging internal control issues; the auditor for FY 2011/12 has issued a qualified opinion which is a matter of concern.

9. Despite these issues, the project has made several achievements which are encouraging for a rapid turn-around in performance. The Government's financial contribution to the project is excellent and far higher than expected. Designs are completed for irrigation improvement in Upper Egypt, and corresponding tender documents will shortly be ready (following some modifications) for civil works costing up to USD 20 million. The microfinance programme has commenced, and an agreed broader interpretation of the project area is expected to open the gates for a substantial acceleration of lending operations. The project's monitoring and evaluation system is now taking shape, and is expected to serve as a management tool for improved planning and implementation. The mission's recommendations to systemically improve project performance are reflected in the *Aide Memoire*; their implementation is expected to elevate project management, implementation and outcomes to the standards required for an investment of USD 92 million that OFIDO represents.

10. At the MALR Wrap Up meeting, H.E. the Minister recommended that the NPCU prepare a roadmap and accurate action plan with milestones addressing the issues referenced above.

## C. Outputs and outcomes, by component

### Irrigation and Water Management

11. It is the mission's assessment that the implementation performance of this component is moderately unsatisfactory.

12. **Objectives.** The broad objective of OFIDO is to establish a cost-effective and replicable model of on-farm irrigation development and water management, allowing for scaling up to five million feddan (fd) by Government. Key innovations of this model refer to the triangulation of: (i) transition from agency-driven water supply to farmer-demand water management by introducing continuous flow at branch canal level; (ii) operational cooperation of MWRI and MALR at field level in the form of synchronised and coherent water management advice to farmers and WUAs; (iii) involvement of governorate agencies in the delivery of on- and off-field irrigation and drainage improvements. These innovations support a core objective – empowerment of water users for allocation, operation and maintenance of irrigation schemes to serve their farming systems (marwa committees, mesqa WUAs, branch canal WUAs).

13. As the principal means, OFIDO was designed for rehabilitation and development of on-farm irrigation systems of 25,500 fd in the five governorates of Beheira and Kafr El Sheikh in the Delta, and Assiut, Qena and Sohag in Upper Egypt, to benefit some 25,500 farm households. Following cost savings and availability of incremental GOE funding, outreach in the Delta was increased to cover an additional 16,000 fd to benefit an additional 16,000 households. The project was recently expanded to include an additional 7,100 fd in Beni Suef and Menia governorates to benefit 5,145 households<sup>2</sup>. In

aggregate terms, it will cover 48,000 fd and benefit 46,000 households. The latest unit cost estimate, including NPCU/GPCU costs, for full mesqa rehabilitation and marwa/magror on-farm improvement, is at the high end of irrigation development and raises concern for replication and scalability.

### **Physical Progress**

14. Based on extensive field visits to on-farm irrigation improvements in Beheira governorate (a field visit to Kafr el Sheikh governorate was cancelled due to security concerns), document studies and dialogue with NPCU staff, consultants, governorate personnel and farmers, the mission notes major delays and deviations from the proposed approach and implementation arrangements stipulated in the Financing Agreement and project design documents.

15. According to NPCU raw data, physical progress in relation to 2012/13 AWPB targets is well below expectations. The implementation of water users' association (WUA) training activities is substantially below the planned number of events (130 events compared with 280 planned, for 46% achievement). Outreach to groups or individual farmers is significantly lower than anticipated (211 women trainees compared with 1,511 planned; 1,269 men trainees compared with 12,100 planned, for 11% achievement). In Upper Egypt civil works have not commenced, compared with the target of 4,000 fd (25% achievement). In the Delta, improvements on 67 marwa canals with aggregate length of 24 km and command area of 2,589 fd have been completed, compared with the target of 13,000 fd (23% achievement). In Beni Suef and Menia, the NPCU is not yet empowered to implement works, as the supplementary IFAD loan is not yet available. Staff training is moderately adequate at 65% of targeted participation. These relatively low levels of physical progress are a matter of concern.

### **Procurement**

16. Substantial progress has been made in preparing detailed design studies for branch canal, mesqa and marwa improvement works in Upper Egypt, and corresponding tender documents have been prepared. These works are expected to have an aggregate cost of up to USD 20 million. Electricity works covering 13,000 fd in Upper Egypt have also been detailed. The NPCU informed the mission that the procurement of works would be split into two tenders: (i) a tender for the purchase of electric pumps, valves and pipes, to be managed by NPCU; (ii) a tender for civil works, for implementation by private sector contractors, to install the materials acquired by the NPCU. The NPCU aims to realise cost savings of up to 15% using this split procurement method.

17. The mission hereby clarifies that splitting of tenders is not an eligible procurement method under IFAD's *Procurement Guidelines* (available on IFAD's website, also in Arabic). It is further clarified that the purchase of materials which are embedded in civil works need to be integrated within the civil works tenders. Hence, the prepared split tender documents need to be re-organised and bulked by combining lots of goods and implementation services into standard civil works tender packages for private sector contracts. Given the good quality of the draft documents, the tenders can be re-organised relatively quickly. As most bulked tender packages will be eligible for NCB methods, several months of procurement processes will be saved, allowing for earlier contract signature and execution. The bulked tender procedure will also eliminate the need for stocking, guarding, insuring and managing inventories, thus generating substantial cost savings and minimizing reputational risk. Furthermore, the risks of not synchronising equipment availability with the on-site needs of contractors will be avoided. Finally, this method will strengthen private sector civil works capabilities in Upper Egypt, in line with project design.

18. Once the tender documents are finalised as described above, they should be submitted to IFAD for prior review. IFAD will commission an engineering consultant to review them prior to issuing its observations and/or clearance. The commencement of civil works should be agreed in advance with the BCWUA and WUAs of lower order; as such, it is imperative that civil works be synchronised with BCWUA and WUA formation by CDIAs.

19. Should the PSC decide to proceed with the split tender modality for mesqa and/or marwa improvement using national funds, and to absorb its substantial costs and risks, IFAD would

encourage the NPCU/GPCU and other stakeholder agencies to pilot this modality on a limited scale over a limited timeframe (civil works and final handover) in one district of Upper Egypt (e.g. Moncha district of Sohag governorate with an estimated cost of USD 2 million using national funds). It is suggested that this ceiling of USD 2 million should not be exceeded for the pilot, in order not to compromise Government funding for OFIDO. An operational manual for this procedure should be prepared by the NPCU with IFAD support in advance, where processes, performance, cost-benefit and lessons are analysed and documented and shared with all stakeholders.

20. It is noted that in some cases force account by the NPCU has replaced the implementation arrangements stipulated in the Financing Agreement and design documents. Workshops and depots for materials have been acquired, and excavators and tractors purchased for use under direct NPCU management. Force account is also applied for marwa works in the Delta; the quality of work varies from good (change of sandbed to filter materials around marwa pipes) to shoddy (pipes not being levelled). Site supervision was poor at one of the sites visited by the mission (no log book). Major differences among the original unit costs (design document, 2009), unit costs applied for the supplementary financing (2012) and actual unit costs (per fd, meter, household) of marwa and mesqa improvement are noted. These costs need to be monitored and verified, preferably together with unit costs under FIMP, and possibly those to be used under the OFID loan. The roles and responsibilities of relevant institutions at national and governorate levels should be described in a flowchart outlining the process from site selection to handover to WUAs.

21. The NPCU was unable to provide any force account manuals or operating procedures to the mission. Approvals by the Project Steering Committee on the shift to force account are also not available. IFAD's *Procurement Guidelines* stipulate that force account may be applied only in exceptional circumstances, and only following IFAD verification and clearance. The substantial and unilateral application of force account under OFIDO, beyond EALIP and electricity works, is a matter of concern.

### **Supervision**

22. The quality control of materials for civil works (pipes, valves, pumps), is the responsibility of the Agricultural Engineering Research Institute (AERI) of MALR. To date, AERI has taken 3 sets of 10% samples of materials and found them to be compliant with requirements. Where specifications of materials procured define the chosen criteria (e.g. ISO, ASCE), sampling may be reduced from 10% to 1%. AERI intends to set up and equip 6 additional testing facilities in the original OFIDO governorates, thus bringing the total to 7 laboratories. The sustainability of such facilities is yet to be analyzed.

23. As per MWRI instruction, supervision of plans for civil works has recently been transferred from Irrigation Improvement Sector (IIS) to the National Water Research Centre (NWRC). The mission has not been informed of installed or projected NWRC capacities at governorate level and at specific OFIDO sites. The NPCU has indicated that the IIS and IID (Irrigation Improvement Dept.) at Governorate level remain responsible for site supervision of civil works. The mission clarifies that IFAD would expect a rigorous multi-tier supervision and inspection arrangement consisting of: (i) quality control of civil works plans by NWRC at national and governorate level as appropriate, (ii) permanent site supervision by IIS/IID; (iii) supervision by WUA officials jointly with IIS/IID as per the Financing Agreement; (iv) periodic inspection by an engineering firm contracted by the NPCU; (v) final supervision by the NPCU jointly with WUAs. This process should be supported by AERI quality control of materials before and after installation.

### **Water Users' Associations**

24. Information on WUA formation and involvement in planning, implementation, supervision and hand-over of on-farm improvements is limited, while monitoring and evaluation of WUA performance is yet to start. The Central Department of Irrigation Advisory Service (CDIAS) under MWRI, responsible for training and support to branch canal WUAs (BCWUAs), indicated that it is surveying training needs in Upper Egypt where three BCWUAs will be strengthened; the relevant protocol was



signed in December 2012 between MWRI and MALR. As CDIAS lacks staffing and offices in Upper Egypt, OFIDO has secured space for it in appropriate agencies. BCWUA formation and training covering 14,500 fd is expected to start in September 2013 and last for 6 months, for a unit cost of EGP 30/fd and a total cost of about EGP 0.5 million. It was indicated that, whereas the Law of 1994 creates the legal basis for BCWUAs, creation of mesqa WUAs is only governed by MWRI Ministerial Decree. It was further indicated that MALR aspires to become sector leader, replacing MWRI, for mesqa level investments and O&M by WUAs, and these activities should be embedded within agricultural cooperatives. Alternatively, Irrigation Districts may play a more prominent role in the future. Once the relevant authorities have defined the way forward, IFAD clearance would be required.

### Other Aspects

25. Continuous flow conditions have not been introduced on a sufficiently wide and sustainable scale to allow for a transition to farmer-led water demand management at mesqa level. This may influence farmer choices on crops and cropping calendars, and affect their capacity to transit towards commercially-oriented farming and their readiness to participate in public-private partnerships with agribusiness. As an intermediate step between current rotational flow and future continuous flow, bulk water allocation per season and branch canal may be considered; MWRI is currently piloting the feasibility of such method. MWRI welcomed the mission's proposal to carry out an inventory of readiness for implementation at mesqa level.

26. There seems to be scope for further improving cooperation and synergy between MWRI and MALR agents at farm level. MWRI services stop at the pump outlets, while MALR has not yet proposed workable irrigation water demand based on farmer crop choices. Farmers in the Delta claim that water delivery services have been interrupted (pumps out of service) or are interrupting (canal digging) their crop husbandry activities at key moments (affecting their cash crop of irrigated summer rice).

Agreed action	Responsibility	Agreed Date
MTR is scheduled for early 2014. MALR, MWRI, PSC should decide on the model character and scaling up intentions of OFIDO as part of national plans to improve 5 million fd (this will affect choice of delivery modalities). To prepare for MTR, studies to be undertaken on: (i) scaling up potential; (ii) applicable unit costs; (iii) effectiveness/efficiency of delivery mechanisms incl. force account, private sector contacting, community contracting (a corresponding manual to be elaborated by NPCU with IFAD support from the grant). TOR of MTR to be drafted jointly by IFAD, MALR, MWRI, NPCU in Q4 2013. Other financing partners may also participate.	MALR, MWRI, NPCU, PSC, IFAD	as appropriate, prior to MTR
MALR, MWRI and PSC shall inform IFAD and advise NPCU on course of action regarding bulk water allocation to BCWUAs in transition from rotational flow towards continuous flow. Agricultural services may need realignment accordingly.	MALR, MWRI, PSC	at next PSC meeting
NPCU will commission a consultant to establish the unit cost structure and actual costs (incl. depreciation, incremental management and staffing) of on- and off-farm improvements of mesqa, magror and marwa under OFIDO. 'Social over-dimensioning' of pipe sizes may be justified reflecting farmer demand. Cost ceilings may be introduced for specific cost items and total cost per household or fd (paid by farmers through Land Tax). A flowchart delineating responsibilities, steps, timelines and costs will complement the commissioned work. This analysis will be shared with MALR, MWRI, PSC and WB/AFD for deliberation and decision-making. Monitoring of unit costs should be a permanent activity.	NPCU	to be included in 2013/14 AWPB

<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
Site supervision and inspection of marwa improvement work, to ensure quality of installed pipes and certify quantity of works, should be implemented as per Financing Agreement and outlined above. An assessment of NWRC, IIS and other stakeholders' capacities would facilitate IFAD's no objection.	NPCU to organise with partner institutions	this is pre-condition for IFAD clearance of civil works.
MALR, MWRI and PSC should propose the scope and scale of force account under OFIDO. Tenders are subject to review by an IFAD consultant. Alignment with WB/AFD-funded FIMP is intended. Early findings of community contracting pilot to be shared. Manuals governing force account are to be drafted by NPCU using the IFAD grant and submitted clearance.	NPCU, PSC	to be included in 2013/14 AWPB
Split tenders are not eligible under IFAD Procurement Guidelines. Purchase of materials embedded in civil works need to be integrated within civil works tenders. The split tender documents need to be re-organised and bulked combining lots for goods and implementation services as appropriate into standard civil works tender packages for private sector contracts, submitted to IFAD for clearance. Civil works should not commence prior to BCWUAs approval.	NPCU	immediately after BCWUA formation in Upper Egypt.
If acceptable to PSC, a split tender pilot activity of limited duration (not surpassing 12 months after publication of tenders) with national funding not exceeding USD 2 million, is encouraged by IFAD. This pilot in Upper Egypt should cover a full branch canal, or a self-contained section thereof, to be selected based on agreed criteria. An operational manual and analysis of lessons learned should be prepared under this pilot and aligned with FIMP.	PSC, NPCU	immediately after BCWUA formation in Upper Egypt.

### **Agriculture Competitiveness**

27. It is the mission's assessment that the implementation performance of this component is unsatisfactory.
28. Egypt has a competitive agricultural sector and has pioneered agri-business with outgrower and contract farming modalities (e.g. under WNRDP), also including poor farmers. Just as OFIDO seeks to bolster private sector involvement in planning and delivery of irrigation infrastructure, it also seeks to boost agricultural competitiveness and modernisation of the smallholder agriculture through linkages with private sector agri-business, profitable for all parties. In this context, ARC and its agencies are tasked under OFIDO to set up, jointly with organized farmers, farmer-led research and demonstration of promising high value crops. Correspondingly, advisory services are to be delivered to beneficiaries in a sustainable way.
29. The mission was informed that ARC/MALR extension workers are being trained together with their field-level MWRI counterparts to deliver coherent advice on irrigated farming, storage, processing and marketing to farmers transiting to commercial farming systems enabled by modernised irrigation regimes and improved field conditions. However, the mission was not able to obtain any comprehensive training plan or detailed progress report on the training executed to date. The mission was informed that the project has established a number of farmer marketing committees, embedded within agricultural cooperatives, to facilitate links between farmers and agribusiness.

### **Financial Services**

30. It is the mission's assessment that the implementation performance of this component is moderately unsatisfactory.
31. The project aims to provide financial services, capacity building and business services for on- and off-farm micro and small enterprises in the project areas. This component is executed by SFD using its standard operating procedures. Micro-loans for income generating activities of poor households are administered by community development associations (CDAs) which serve as

financial intermediaries for on-lending. Loans for micro and small enterprises are managed by SFD's Small Enterprise Development Organisation (SEDO) which lends either directly to enterprises or through banks which serve as financial intermediaries. Provision is made for the capacity building of financial intermediaries for micro-loans (CDAs, NGOs).

32. The administration of financial services under OFIDO is governed by a Subsidiary Financing Agreement which was signed by MOPIC and SFD, following IFAD clearance, in October 2010. Subsequently, the protocol for collaboration between the NPCU and SFD was signed, and the baseline survey of CDAs and agricultural organisations in the project areas was completed (covering 44 villages, 167 CDAs and 73 agricultural organisations). Despite these activities, implementation of this component is well behind schedule, for two reasons: (i) confusion on interpretation of project documents regarding the precise geographical locations of lending activities; and (ii) delayed selection of irrigation command areas (in April 2012).

### Microfinance

33. The SFD's financing to CDAs carries an interest rate of 9.5%, while CDAs onlend these funds to borrowers at 14% to finance viable income-generating activities. Microfinance operations commenced in late 2012 in villages associated with the selected irrigation command areas. Between October 2012 and mid-June 2013, SFD has disbursed EGP 1.2 million to four CDAs, which in turn have disbursed 175 micro-loans to final borrowers (Table 1).

**Table 1: Microfinance Operations – Oct. 2012 to mid-Jun. 2013**

Governorate / CDA	Contract Amount (EGP)	Transferred Amount (EGP)	Loans (number)			Loan Amounts (EGP)			Avg. Loan Size (EGP)
			Men	Women	Total	Men	Women	Total	
Assiut - El Sawalem CDA	400 000	400 000	70	35	105	291 500	128 450	419 950	4 000
Assiut - El Nahda CDA	400 000	100 000	20	8	28	98 000	36 000	134 000	4 786
Qena - Naga' Moh. CDA	400 000	200 000	30	10	40	150 000	50 000	200 000	5 000
Kafr El Sheikh - CDSSA	1 400 000	500 000	2	0	2	15 000	0	15 000	7 500
<b>Total</b>	<b>2 600 000</b>	<b>1 200 000</b>	<b>122</b>	<b>53</b>	<b>175</b>	<b>554 500</b>	<b>214 450</b>	<b>768 950</b>	<b>4 394</b>

Source: elaborated by the mission based on SFD data

34. The initial gender distribution of loans is promising; 30% of loans and 28% of loan amounts have been disbursed to women borrowers. There is however scope to improve the gender balance, considering that in the Upper Egypt Rural Development Project the SFD has been able to disburse 41% of loans (in both numbers and amounts) to women borrowers.

35. The sectoral distribution of the loan portfolio shows that investments are highly concentrated in limited subsectors: livestock (67% of loan amounts); commercial activities such as micro-trade and village shops (24%); a range of rural services (6%); and micro-industry (3%). It would be desirable for SFD and CDAs to diversify the loan portfolio in order to overcome the community-level demand constraint and allow micro-enterprises to grow and prosper.

### Enterprise Finance

36. The objective of enterprise financing operations is to finance small enterprises which support the rural sector, create employment opportunities and provide services to small farmers, the landless, unemployed youth and women-headed households. Project design documents and the Financing Agreement stipulate that enterprise financing operations will be implemented either through SEDO direct lending or through banks serving as intermediaries.

37. To develop the operational modalities, SEDO held negotiations with the Principal Bank for Development and Agricultural Credit (PBDAC) which however proved to be unsuccessful. In recent months SEDO has negotiated with the agricultural cooperative sector for possible partnership in enterprise financing; however, it found that at present cooperatives do not possess the financial fundamentals to be certified as financial intermediaries for onlending.

## Way Forward

38. Several queries regarding rural financial services emerged during the mission's meetings. On the basis of IFAD's *Rural Finance Policy* (published on its website, also in Arabic) the mission clarifies that: (i) interest rates to final borrowers should be consistent with market interest rates, and not subsidised; (ii) interest spreads for financial intermediaries should allow them to fully cover costs and risks.

39. With respect to interpretation of project documents on the precise locations of microfinance and enterprise lending activities, the mission recommends that a broad interpretation should be applied. This is important as the absorptive capacity for micro-loans and enterprise loans in the selected irrigation command areas is clearly limited, and villages in these areas do not have sufficient CDAs to absorb the microfinance allocations available. In this context, it was agreed with all parties concerned that a broader interpretation of the eligible geographical areas will be applied, under a dual approach:

- SFD should continue to finance eligible CDAs covering the selected command areas; it should also select eligible CDAs from other areas which are willing to establish units in these command areas, and finance them accordingly; SEDO should also aim to finance eligible enterprises in these villages, once the operational modalities are established.
- SFD and SEDO should proceed to finance eligible CDAs and enterprises respectively throughout the selected governorates, while ensuring that all onlending operations are consistent with project objectives.

40. With respect to the operational modalities for financing to enterprises, SEDO would consider four options: (i) continue negotiations with PBDAC to serve as financial intermediary; (ii) negotiate with other banks which may be interested to serve as financial intermediaries; (iii) directly lend to enterprises; (iv) eventually shift enterprise financing funds to microfinance operations (following the mid-term review mission), as the microfinance operating modality is well developed and demand is high. To move forward, it is necessary that any financial intermediary, such as a bank or cooperative, meets SEDO's criteria and credit requirements.

Agreed action	Responsibility	Agreed Date
Diversify the microfinance portfolio to improve prospects for growth and sustainability of the activities financed.	SFD, CDAs	ongoing basis
Adopt a broad view of the eligible geographical locations of microfinance and enterprise financing operations, as indicated above	MALR; SFD	with immediate effect
Continue efforts to initiate enterprise lending operations (through PBDAC, other banks and/or direct lending) or later shift enterprise lending funds to microfinance operations following MTR mission.	SEDO	ongoing basis

## D. Project implementation performance

41. The project is governed and managed by: (i) the Project Steering Committee; (ii) the National Project Coordination Unit; and, (iii) the Governorate Project Coordination Units.

42. **Project Steering Committee.** The PSC is an inter-ministerial policy/strategy committee that enjoys high ranking representation of stakeholders and provides strategic and policy support to the project. It was created by ministerial decree in 2010, and then reshuffled repeatedly in terms of membership, duties and representation by subsequent ministerial decrees. The PSC has convened 13 times since start up. The mission's finds that (i) there is little evidence that the PSC is functional in terms of policy guidance and strategic decision making; (ii) the PSC meeting's agenda, follow up actions, and endorsement of minutes is not documented.

43. **National Project Coordination Unit.** The NPCU is led by a national coordinator and consists of a financial officer, procurement officer, M&E officer, accountants and ancillary staff. It is currently functioning as a project implementation unit (rather than a coordination unit) for the irrigation component, implying that its coordination functions are underemphasized. The NPCU has contracted

an administrative coordinator who has added value particularly in liaising with stakeholders. The fundamental position of project manager remains vacant after three years, which is a matter of concern with visible consequences on project performance.

44. Several weaknesses in NPCU performance are noted: the data and information it generates are often unreliable and undocumented; information flows are prone to delay; the quality of progress reports is far below the standards expected from an investment of USD 92 million; and recommendations of previous missions are not sufficiently addressed. Most importantly, the draft 2103/14 AWPB has not been submitted to IFAD (deadline date was 30 April 2013).

45. The mission takes notice of a tentative GIZ proposal regarding the streamlining of functions and responsibilities of the OFIDO NPCU and FIMP PMU into a harmonised management and coordination unit. IFAD desires to be informed in advance of any proposed modifications to the NPCU's functions and structure, in accordance with the Financing Agreement.

46. **Governorate Project Coordination Units.** Each project governorate has a GPCU which should be responsible for the coordination and synchronisation of activities among the executing agencies, in consultation with beneficiaries, as well as M&E and progress reporting. While the GPCU premises in most governorates are largely completed, the mission was unable to find evidence of a harmonised structure for these units. It is noted that, although the project is approaching mid-term, the core staff of these units are yet to be recruited and mobilised.

47. **Monitoring and Evaluation.** The project's M&E system is now taking shape, and is expected to help overcome some of the information shortfalls mentioned earlier. OFIDO has recruited an M&E consultant with prior experience in the West Noubaria Rural Development Project. A senior consultant has also been contracted to arrange training on M&E systems for OFIDO staff. As a result of these initiatives, a logical framework has been developed. It is expected that GPCU staff will include M&E specialists to ensure M&E functionality.

48. It is noted that the quality of the 2012/2013 progress report does not draw conclusions and recommendations for enhanced implementation. It is suggested that the 2013/14 APWB be substantially improved to reflect targets in line with design expectations, ways (institutions, methods) and means (human resources, funds, logistics) to achieve targets, and milestones for monitoring progress and triggering remedial action by NPCU or PSC as appropriate.

49. **Procedures.** Certain procedures must be followed in the event of changes to project design, implementation arrangements, or the Financing Agreement. In these cases, the NPCU needs to document the proposed changes, justify them in terms of objectives, costs and benefits, and submit them to the PSC and implementing partners for approval. Upon PSC approval the proposals may be submitted to IFAD for clearance.

Agreed action	Responsibility	Agreed Date
All partners have agreed that any proposed changes to project activities and/or implementation arrangements must be handled on the basis of recognised procedures, subject to PSC approval and IFAD clearance in advance.	NPCU	ongoing basis
Seek options for the PSC to fulfil its policy and strategic functions.	PSC	ongoing basis
Recruit a qualified project manager for NPCU, and GPCU project coordinators; recruit qualified full time project staff and fill staffing gaps at NPCU and GPCU levels; all in compliance with existing PIM. Comply with IFAD prior review requirements for all recruitment actions.	NPCU	September 2013
Establish GPCUs with standardised staff structures, in line with the existing PIM.	NPCU	September 2013
Develop standardised formats for AWPBs and progress reporting, consistent with the emerging M&E system. Improve the quality of the 2013/14 AWPB.	NPCU	2013/14 AWPB; 2012/13 report
Regularly update IFAD regarding any changes proposed by GIZ in relation to NPCU structures, staffing and functions.	NPCU	as required

50. **Gender focus.** The project's gender focus is presently compartmentalised, with a specific gender consultant leading specific gender activities; gender mainstreaming through the project's investments appears to be absent. This is expected to improve once the microfinance programme gets underway, as it would specifically target women borrowers.
51. **Poverty focus.** The project is targeting the poor through a three-tier approach: (i) geographical targeting through the selection of governorates where rural poverty is high; (ii) selection of irrigation command areas with predominance of smallholders; (iii) self-targeted interventions which would mainly interest the rural poor.
52. **Effectiveness of targeting approach.** There is presently insufficient implementation progress to be able to assess the effectiveness of the project's targeting approach, as activities have not yet commenced meaningfully at field level.
53. **Knowledge management.** Other IFAD-financed operations in Egypt (such as the West Nubaria and Upper Egypt projects) are generating lessons and best practices which should be reviewed by OFIDO for adoption where relevant. OFIDO should organize field visits to these projects and invite their respective counterpart teams to give presentations on success stories and to exchange ideas and experiences.
54. **Partnerships.** The centralised form of NPCU management is not conducive to the creation of partnerships with other developmental institutions. This needs to be corrected as a priority.

## **E. Fiduciary aspects<sup>3</sup>**

### **Financial Management**

55. **Staffing.** The NPCU's financial management (FM) staff consists of two financial officers, four accountants and one procurement officer. They are not working full-time for OFIDO, but are shared with other projects managed by the NPCU. It is noted that the NPCU requires a part-time FM specialist with experience in projects to work with the accounting software provider and auditor to develop a financial manual and financial reporting system. Intensive training for accounting staff is also necessary. The NPCU also requires a dedicated IT specialist.
56. **Accounting system.** The NPCU has procured an off-the-shelf accounting software which will operate on a LAN set-up; the previous mission's recommendation for customisation of the software has not been addressed. A service/TA contract has been signed with the software developer, but not for customisation purposes. To date, 674 transactions for the IFAD loan, grant and Government contribution have been entered into the system. As the software can serve multiple projects managed by the NPCU, it will be desirable to customise the financial reporting modules (financial reporting is manual) to meet requirements of all stakeholders. The FM staff's use of the system needs to be improved substantially. To ensure data security and minimise system risk, the NPCU should maintain an external backup of accounting data.
57. **Internal controls.** Payments are currently processed by OFIDO financial officers and jointly approved by the NPCU director and the head of the Central Directorate of Financial Affairs, MALR. As required by law, a financial controller from the Ministry of Finance (MOF) is stationed in each Ministry to certify transactions before checks are issued. All transactions are further subject to monthly and quarterly ex-post review by a Government auditor from the Central Audit Organisation (CAO). A MOF controller prepares the annual reconciliation of accounts based on CAO recommendations during its periodic reviews. All transactions are subject to annual audit from the CAO and well as independent external audit.
58. **Fixed assets register.** The fixed asset register has not been prepared to date. The NPCU is now starting to create a database to record the fixed asset register, and has indicated that it will be completed at the end of September 2013.

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<sup>3</sup> This section draws on and updates the FM analysis contained in the May 2012 supervision report.

59. **Designated accounts (DAs).** The previous mission noted that the DAs were maintained in EGP, with the central bank converting IFAD funds to EGP immediately upon receipt; it was agreed that this would create reconciliation difficulties and exchange rate discrepancies, and should be corrected immediately. In June 2013, the NPCU opened two new DAs in USD, for the loan and grant respectively; the previous DAs are now serving as project accounts. The current bank statements for the two new DA show zero balance. The designated signatories authorised to jointly operate this account are the NPCU director and the head of the Central Directorate of Financial Affairs in MALR. Furthermore, the SFD has opened a project account in the central bank to serve as the revolving fund account.

60. **Disbursement.** The project's utilisation of IFAD loan and grant resources to date is far below expectations. IFAD loan disbursement amounts to only SDR 2.3 million (8% of the loan amount), while grant disbursement amounts to less than SDR 0.1 million (12%). The balance of IFAD funds available amounts to SDR 27.8 million, equivalent to about EGP 289 million (Table 2).

**Table 2: IFAD Loan and Grant Disbursement – June 2013**

Source	Category	Allocation (SDR)	Disbursement (SDR)	Disbursement (%)	Balance (SDR)
IFAD Loan 801-EG	Works	19 740 000	0	0%	19 740 000
	Transport, Equip., Materials	670 000	385 925	58%	284 075
	Revolving Fund	6 230 000	0	0%	6 230 000
	Unallocated	2 960 000	0	0%	2 960 000
	Advance of Funds	0	1 923 589	-	-1 923 589
	<b>Total</b>	<b>29 600 000</b>	<b>2 309 514</b>	<b>8%</b>	<b>27 290 486</b>
IFAD Grant 1159-EG	National TA and Consulting	30 000	0	0%	30 000
	Training	600 000	0	0%	600 000
	Advance of Funds	0	74 273	-	-74 273
	<b>Total</b>	<b>630 000</b>	<b>74 273</b>	<b>12%</b>	<b>555 727</b>

Source: official IFAD disbursement records, 15 June 2013

61. Project disbursement performance is mixed compared with linear disbursement projections (Table 3). The disbursement factor, which compares funds disbursement with project time elapsed, is far below parity for the IFAD loan and grant, but well above parity for the GOE contribution. This indicates that Government is generously financing the project, while IFAD loan and grant resources are not being accessed in accordance with linear trends.

**Table 3: Disbursement Factor – February 2010 to June 2013**

Source of Funds	Funds Disbursed (%)	Time Elapsed (%)	Disbursement Factor
IFAD Loan	8%	40%	0.19
IFAD Grant	12%	40%	0.29
GOE contribution	57%	40%	1.42

Source: mission analysis

62. Aggregate OFIDO expenditure to mid-June 2013 amounts to about EGP 54 million (Table 4). Considering that 40% of the project period has elapsed, the aggregate financial performance is significantly below expectations; however, expenditure of Government funds is proceeding very well and is ahead of target. As irrigation works have only started recently, the low level of beneficiary contributions is commensurate with physical progress. The balance of funds available amounts to EGP 405 million, equal to USD 57 million at current exchange rates.

**Table 4: Project Expenditure – February 2010 to June 2013 (all figures in EGP million)**

Source of Funds	Total Financing	Expenditure 2011/12	Expenditure 2012/13	Total Expenditure		Balance
				(Amount)	(%)	
IFAD Loan	294.95	0.71	6.39	7.10	2%	287.85
IFAD Grant	6.47	0.02	0.18	0.20	3%	6.27
GOE Contribution	99.70	20.37	25.95	46.32	46%	53.38
Beneficiaries	58.41	0.14	0.52	0.66	1%	57.74
<b>Total</b>	<b>459.52</b>	<b>21.24</b>	<b>33.04</b>	<b>54.28</b>	<b>12%</b>	<b>405.24</b>

Source: mission elaboration based on NPCU/MALR and SFD data

Agreed action	Responsibility	Agreed Date
IFAD loan and grant disbursement and expenditure need to be accelerated as an urgent priority. Continued low disbursement of IFAD resources will increase concerns and require corrective actions, in consultation with MOPIC.	MALR, NPCU, SFD	as a top priority

63. **Counterpart funds.** The Government approves its annual contributions to the project based on AWPBs submitted by the NPCU as well as overall funds availability. Its financing covers taxes, sharing of investment costs, a large portion of training costs, and all recurrent costs. Government support through timely flow of counterpart funds is highly appreciated.

64. **Procurement.** Seventeen procurement actions have been executed in 2012/2013 financed by the IFAD loan. The resulting contracts have an aggregate value of EGP 2.0 million paid locally and USD 0.6 million paid directly by IFAD. The mission reviewed all procurement documents for the procurement of vehicles, and found them to be in order.

65. **Audit report.** The 2011/12 audit report was due on 31 December 2012 but was received late. It was prepared by the firm 'AHC Chartered Accountants and Consultants', a private auditor which conducted the audit using International Standards of Auditing (ISA). The auditor expressed a *qualified opinion* on the financial statements for loan 801-EG and Grant 1159-EG which were prepared on cash basis. The weaknesses and risks leading to the qualified opinion included: weak filing systems causing risks for the retrieval of key documents; weak controls on procedures for recording and monitoring fixed assets; weaknesses in electronic data processing systems such as lack of off-site data storage and lack of periodic data back-up; absence of the cumulative status of funds by category statement; absence of statement of fixed assets. The mission reiterates that a qualified audit opinion based on identified internal control weaknesses is a matter of concern, and the auditor's observations need to be addressed by the NPCU with immediate effect.

66. IFAD found the quality of the audit report to be only partially satisfactory, as the auditor did not express separate opinions on the designated accounts and statements of expenditure, which are required under IFAD's audit guidelines.

Agreed action	Responsibility	Agreed Date
Contract an experienced FM specialist to develop financial manuals, train staff, work with accounting software provider, and ensure system customisation. Recruit an IT specialist to manage and secure data.	NPCU	August 2013
Audit observations must be addressed as a top priority, to mitigate risks created by identified internal control issues. The 2013/14 audit report must comply with IFAD's audit guidelines, published on IFAD's website in Arabic. Inability to address the above may trigger remedies of the Fund.	NPCU, with PSC oversight	with immediate effect

## F. Sustainability

67. **Institutional sustainability.** The project's institutional sustainability will be largely dependent on the strength and operational capabilities of water users' organisations at the branch canal, mesqa and marwa levels.

68. **Social sustainability (Empowerment).** As above.



69. **Economic and financial sustainability.** The project's economic and financial sustainability will depend on the results of project investments in irrigation development and financial services

70. **Technical sustainability.** The project's technical sustainability will depend on the quality of its investments in irrigation development.

71. **Environmental sustainability.** The project's ecological sustainability will depend on the quality of its investments in irrigation development.

72. **Exit strategy.** The project's exit strategy is defined in the project design documents, and will be verified following the mid-term review mission.

## **G. Impact**

73. **Physical and financial assets.** There is presently insufficient implementation progress to be able to assess the project's impact on assets.

74. **Food security.** There is presently insufficient implementation progress to be able to assess the project's impact on food security.

75. **Increase in incomes.** There is presently insufficient implementation progress to be able to assess the project's impact on household incomes.

76. **Policy impact.** There is presently insufficient implementation progress to be able to assess the project's impact on policies.

77. **Other impacts.** N/A

## **H. Conclusion**

78. IFAD and the Government of the Arab Republic of Egypt have endorsed the findings of the supervision mission.

79. It is the mission's assessment that overall project implementation performance is moderately unsatisfactory. Aggregate project expenditure as well as disbursement of IFAD loan and grant resources are far below target. Irrigation improvement is experiencing major delays and deviations from the agreed approach and implementation arrangements stipulated in project design and the Financing Agreement. Financial services (microfinance and enterprise finance) are constrained by a narrow interpretation of the geographical locations of lending activities, and enterprise financing has not initiated due to the difficulty of finding suitable financial intermediaries for onlending purposes. The NPCU has de facto transformed from an intended coordination unit to an actual implementation unit, without the necessary supporting authorisations, systems and operating procedures. Project financial management is weak and prone to risk, with potentially damaging internal control issues; the auditor for FY 2011/12 has issued a qualified opinion which is a matter of concern.

80. Despite these issues, the project has made several achievements which are encouraging for a rapid turn-around in performance. The Government's financial contribution to the project is excellent and far higher than expected. Designs are completed for irrigation improvement in Upper Egypt, and corresponding tender documents will shortly be ready (following some modifications) for civil works costing up to USD 20 million. The microfinance programme has commenced, and an agreed broader interpretation of the project area is expected to open the gates for a substantial acceleration of lending operations. The project's monitoring and evaluation system is now taking shape, and is expected to serve as a management tool for improved planning and implementation. The mission's recommendations to systemically improve project performance are reflected in the *Aide Memoire*; their implementation is expected to elevate project management, implementation and outcomes to the standards required for an investment of USD 92 million that OFIDO represents.

81. At the MALR Wrap Up meeting, H.E. the Minister recommended that the NPCU prepare a roadmap and accurate action plan with milestones addressing the issues referenced above.



## Appendix 1: Summary of project status and ratings

### Project 1447 [801] On-farm Irrigation Development Project in Oldlands Basic Facts

Country	Egypt		Project ID	1447	Loan/DSF Grant No.	801
Project	On-farm Irrigation Development Project in Oldlands				Top-up Loan/DSF Grant	801
Date of Update	01-Jul-2013					
Supervising Inst.	IFAD/IFAD					
No. of Supervisions	1	No. of Implementation Support/Follow-up missions	4			
Last Supervision	04-May-2012	Last Implementation Support/Follow-up mission	28-Feb-2013			

					USD million	Disb. rate %
Approval	17-Dec-2009			Total financing	92.16	
Agreement	16-Feb-2010	Effectiveness lag	2.0	IFAD Total	62.00	
Entry into force	16-Feb-2010	PAR value	-----	IFAD loan	60.00	8
First disbursement				DSF grant		
MTR		Last amendment		IFAD grant	2.00	5
Original completion	31-Mar-2018	Last audit	23-Jan-2013	Domestic Total	30.16	
Current completion	31-Mar-2018			Beneficiaries	8.81	0
Original closing	30-Sep-2018			Beneficiaries (sup)	2.03	0
Current closing	30-Sep-2018			Government (National)	15.34	0
No. of extensions	0			Government (sup)	3.98	0
				External Cofinancing Total		

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	3	2	1. Quality of project management	3	2
2. Acceptable disbursement rate	2	2	2. Performance of M&E	3	3
3. Counterpart funds	6	6	3. Coherence between AWPB & implementation	2	2
4. Compliance with financing covenants	3	3	4. Gender focus	4	3
5. Compliance with procurement	3	3	5. Poverty focus	4	4
6. Quality and timeliness of audits	3	3	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	3	3
			8. Climate and environment focus		

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Irrigation and Water Management (68%)	3	3	1. Institution building (organizations, etc.)	4	4
2. Agriculture Competitiveness Enhancement (6%)	3	3	2. Empowerment	4	3
3. Rural Enterprise and Micro Finance devt (18%)	3	3	3. Quality of beneficiary participation	4	3
4. Project Coordination and Management (8%)	3	3	4. Responsiveness of service providers	4	3
			5. Exit strategy (readiness and quality)	4	3
			6. Potential for scaling up and replication	4	4

#### B.5 Justification of ratings

The June 2013 supervision mission has found that overall project implementation performance is moderately unsatisfactory. Aggregate project expenditure as well as disbursement of IFAD loan and grant resources is far below target. Physical progress in relation to 2012/13 AWPB targets is well below expectations. Irrigation improvement is experiencing major delays & deviations from the agreed approach and implementation arrangements stipulated in project design and the Financing Agreement. For the same reason, this also limits the replicability and scalability of the project. MALR, MWRI, PSC to decide on whether the original model character and scaling up intentions of OFIDO as part of national plans is still valid. Financial services (microfinance & enterprise finance) are constrained by a narrow interpretation of the geographical locations of lending activities, & enterprise financing has not initiated due to the difficulty of finding suitable financial intermediaries for onlending purposes. The NPCU has de facto transformed from an intended coordination unit to an actual implementation unit, without the necessary authorisations, systems and operating procedures. Project financial management is weak and prone to risk, with potentially damaging internal control issues; the auditor for FY 2011/12 has issued a qualified opinion which is a matter of concern. GOE's financial contribution is excellent and far higher than expectations. Designs are completed for irrigation improvement in Upper Egypt, and corresponding tender documents should shortly be ready (following some modifications) for civil works costing up to US\$20 million. The microfinance programme has commenced, & an agreed broader interpretation of the project area is expected to open the gates for an accelerated lending operations. Core staff at governorate level are yet to be recruited and mobilised. The M&E system is now taking shape, & is expected to serve as a management tool for improved planning and execution.

### Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	3	3
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience		
C.4 Overall <b>implementation progress</b> (Sections B1 and B2)	3	3
Rationale for implementation progress rating Outlined above.		
C.5 Likelihood of achieving the development objectives (section B3 and B4)	3	3
Rationale for development objectives rating Outlined above.		
C.6 <b>Risks</b> Short description of major risks for each section and their impact on achievement of development objectives and sustainability		
Fiduciary aspects	The 2011/12 audit report was due on 31 December 2012 but was received late. It was prepared by a private auditor which conducted the audit using International Standards of Auditing (ISA). The auditor expressed a qualified opinion on the financial statements for loan 801-EG and Grant 1159-EG which were prepared on cash basis. The weaknesses and risks leading to the qualified opinion included: weak filing systems causing risks for the retrieval of key documents; weak controls on procedures for recording and monitoring fixed assets; weaknesses in electronic data processing systems such as lack of off-site data storage and lack of periodic data back-up; absence of the cumulative status of funds by category statement; absence of statement of fixed assets. A qualified audit opinion based on identified internal control weaknesses is a matter of concern.	
Project implementation progress	The mission's finds that (i) there is little evidence that the PSC is functional in terms of policy guidance and strategic decision making; (ii) the PSC meeting's agenda, follow up actions, and endorsement of minutes is not documented. It is currently functioning as a project implementation unit (rather than a coordination unit). The fundamental position of project manager remains vacant after three years, which is a matter of concern with visible consequences on project performance. Core staff at governorate level are yet to be recruited and mobilised. NPCU data and information it generates are often unreliable and undocumented; information flows are prone to delay; the quality of progress reports is below the standards expected from an investment of USD 92 million; and recommendations of previous missions are not sufficiently addressed. The draft 2103/14 AWPB has not been submitted to IFAD (deadline date was 30 April 2013).	
Outputs and outcomes	The fundamental position of project manager remains vacant after three years, which is a matter of concern with visible consequences on project performance. Designs for irrigation improvement in Upper Egypt are completed, and corresponding tender documents should shortly be ready (following some modifications) for civil works costing up to USD 20 million. IFAD having difficulties finding an Arabic/English irrigation engineer to review the forthcoming procurement and tender documents so as	

	to be able to provide an informed no objection may delay the project activities.
Sustainability	Because of the deviations from the agreed approach and implementation arrangements stipulated in project design and the Financing Agreement, which limit the replicability and scalability of the project, MALR, MWRI, PSC should decide on whether the original model character and scaling up intentions of OFIDO as part of national plans to improve 5 million fd is still valid (this will affect choice of delivery modalities).

### Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Irrigation improvement	Improve the speed and quality of irrigation improvement. Decide on rotational flow vs continuous flow. Review effectiveness and efficiency of delivery mechanisms. Thoroughly analyse unit costs. Delineate responsibilities, steps, timelines and costs. Introduce rigorous civil works supervision procedures. Prepare appropriate operating manuals. Review the scope and scale of force account. Bulk tender documents.	end July 2013	Ongoing
Financial services	Diversify the microfinance portfolio. Adopt a broad view of the eligible geographical locations of microfinance and enterprise financing operations. Initiate enterprise financing operations using any of 4 options: PBDAC; other banks; SEDO direct lending; transfer allocations to microfinance.	end July 2013	Ongoing
Project management	Follow procedures in case of changes to project design or Financing Agreement. Seek options for PSC to fulfill its policy and strategic functions. Recruit qualified managers and staff for NPCU and GPCUs. Develop standardised formats for AWPBs and progress reporting. Improve AWPB quality.	end July 2013	Ongoing
Fiduciary	Contract experienced FM specialist to develop financial manuals, train staff, ensure software customisation. Recruit IT specialist to secure FM data. Address all audit observations as an immediate priority to the satisfaction of the auditor. Eliminate all internal control weaknesses.	end July 2013	

#### Additional observations



## Appendix 2: Logical Framework

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions
<ul style="list-style-type: none"> <li>Poverty reduction and improved livelihoods of small farmers, the landless, rural women and unemployed youth in the project area.</li> </ul>	<ul style="list-style-type: none"> <li>Households with improvement in asset ownership index: compare: male, single and female headed (RIMS mandatory impact indicator);</li> <li>Reduction in the prevalence of malnutrition for children under five (weight for age, height for age, weight for height) (RIMS mandatory impact indicator);</li> <li>Households or persons receiving Project services: direct, total project; compare male/female (RIMS 1<sup>st</sup> level indicator);</li> <li>Households with increased income and improved food security: compare: male, single and female headed (RIMS 2<sup>nd</sup> level indicator);</li> <li>Reduction of gender gap rate in unemployment;</li> <li>% Unemployment for male versus female.</li> </ul>	<ul style="list-style-type: none"> <li>National Household Living Standard Surveys for project Governorates;</li> <li>Baseline and socio-economic surveys (gender-disaggregated);</li> <li>Representative household surveys at mid-term and project completion (gender-disaggregated);</li> <li>Participatory impact monitoring to complement household surveys;</li> <li>Project monitoring reports;</li> <li>RIMS annual reporting and impact surveys;</li> <li>Project Completion Report.</li> </ul>	<ul style="list-style-type: none"> <li>Continued Government commitment to pro-poor macro-economic policies and institutional reforms;</li> <li>Macro-economic situation continues to improve and recent economic growth maintained;</li> <li>Enabling policy framework for women employment;</li> <li>Political stability prevails;</li> <li>Social, economic climate remains conducive to market-based development.</li> </ul>
<p><b>Purposes/Objective by Component</b></p> <p><b>Irrigation and water management:</b>                      Increase agriculture production and farm incomes of the project target group by: improving on-farm irrigation and water management, achieving higher water use efficiency and more equitable water distribution, and greater effective participation of users in water management.</p>	<ul style="list-style-type: none"> <li>Improved in yields of main crops at the head and tail end of the branch canals and mesqas;</li> <li>Farmers reporting yield, production increases (RIMS 2nd level);</li> <li>Command areas operating at a water efficiency level of not less than 70% after 3 years (RIMS 2nd level);</li> <li>No. of new WUOs/BCWUOs/WUOs established and operational after 3 years;</li> <li>WUOs with satisfactory water charge recovery;</li> <li>Proportion of female farmers/members represented in WUOs;</li> <li>% change in areas served by branch canals with continuous flow;</li> </ul>	<ul style="list-style-type: none"> <li>WUO budgets and accounts;</li> <li>WUO meeting minutes and resolutions;</li> <li>Project monitoring reports (Monthly, Quarterly, Annual, MTR and PCR);</li> <li>Participatory monitoring by beneficiaries, contractors and service providers;</li> <li>RIMS annual reporting and impact surveys;</li> <li>Annual Impact Assessment;</li> <li>Annual progress and</li> </ul>	<ul style="list-style-type: none"> <li>MALR/MWRI continues to provide institutional support for WUO registration and contracting;</li> <li>Annual O&amp;M for off-farm infrastructure is effective;</li> <li>WUO operations inclusive, democratic and transparent;</li> <li>Absence of force-majeure conditions;</li> <li>Integrated Water Management Districts (IWMDs) strengthened;</li> <li>Effective cooperation between</li> </ul>

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions
	<ul style="list-style-type: none"> <li>• % change in quantity of water delivered by mesqa per feddan;</li> <li>• % change in value of production per cubic meter of water;</li> <li>• 30% of farmers adopting modern irrigation on the 12,000 fd to be rehabilitated in Lower Egypt and 10% on 13,000 fd in Upper Egypt by end of project.</li> </ul>	<p>supervision reports.</p>	<p>MALR and MWRI;</p> <ul style="list-style-type: none"> <li>• Continuous flow is introduced at branch canals in Upper Egypt;</li> <li>• Proposed Water Law is approved by the Peoples' Assembly and enforced.</li> </ul>
<p><b>Agriculture competitiveness enhancement:</b>                      Promoting demand-driven participatory farming system research and extension for crops, water and livestock.</p>	<ul style="list-style-type: none"> <li>• Joint extension irrigation advisory teams operating after 3 years;</li> <li>• No. of on-farm research carried out on high value organic crops/products, livestock and water use;</li> <li>• No. of farmers and MAs adopting new technology packages recommended by Project (by type/gender);</li> <li>• No. of MAs adopting technology packages for HVCs and organic product;</li> <li>• Farmers reporting production/yield increases (RIMS 2nd level);</li> <li>• Increase in crop and livestock production and returns per unit land and water;</li> <li>• No. of workshops conducted with MAs/farmers, extension and water advisory services and number of farmers attended by gender;</li> <li>• No. of women and men attending training, extension, demonstration activities (ratio in range of 50%);</li> <li>• 30% of farmers engaged in HVCs and organic farming;</li> <li>• Increased on-farm labour productivity for women and men.</li> </ul>	<ul style="list-style-type: none"> <li>• RIMS annual reporting and impact surveys;</li> <li>• Project monitoring reports. (Monthly, Quarterly, Annual, MTR and PCR);</li> <li>• Participatory monitoring by beneficiaries, contractors and service providers;</li> <li>• Annual Impact Assessment.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of conducive policy and macro-economic framework for development of private sector agriculture;</li> <li>• Access to export markets can be improved;</li> <li>• Full-hearted collaboration by other projects/Service Providers.</li> </ul>
<p><b>Rural enterprise and micro finance development:</b>                      Increased access to rural finance by target groups for micro-enterprises through CDAs/NGOs as well as to MSEs. Participating intermediary financial institutions providing rural credit services to designated project clients strengthened; and support is provided to both MAs and</p>	<ul style="list-style-type: none"> <li>• No. of intermediary institutions achieving operational sustainability;</li> <li>• Suitable, well performing CDAs/NGOs contracted;</li> <li>• Portfolio at risk: outstanding balance of overdue loans (RIMS 2);</li> <li>• No. and volume of loans provided by gender;</li> <li>• Outstanding loans/credit officer: staff productivity (RIMS 2);</li> <li>• Portfolio growth and degree of client satisfaction;</li> <li>• Operating cost/loan portfolio with split of male/female borrowers (RIMS 2nd level);</li> <li>• No. of CDAs/NGOs/MAs strengthened;</li> <li>• No. of MAs successfully linked with traders and exporters;</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>• MSE and MSE business records and books/tax documents;</li> <li>• Participating MFI(s) Reports;</li> <li>• Reports of complementary project activities.</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>• Conducive microfinance policy and macro-economic framework maintained;</li> <li>• Competence and enthusiasm of participating MFIs;</li> <li>• Availability of cooperating projects resources.</li> </ul>



Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions
MSEs.	<ul style="list-style-type: none"> <li>• No. of marketing associations established and their membership by gender;</li> <li>• No. of enterprises developed by type, size and direct job opportunities created (temporary and full time by gender);</li> <li>• New MSEs established by male and female borrowers and operating after 3 years;</li> <li>• 50% of loans provided for on-farm modern irrigation investments;</li> <li>• Jobs generated by Project MSEs/MSEs and share of employment for women (RIMS 2nd level).</li> </ul>		
<b>Project Coordination and Management</b> GPCU, with NPCU support, provides effective project management and coordination	<ul style="list-style-type: none"> <li>• Project performance in relation to appraisal and AWPB targets;</li> <li>• Execution of AWPBs;</li> <li>• Uninterrupted flow of local counterpart funds;</li> <li>• Rate of loan disbursement;</li> <li>• Established M&amp;E system operational;</li> <li>• Review processes (surveys and studies) and participatory M&amp;E procedures operational and effective;</li> <li>• No. and type of reports prepared and circulated.</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>• MWRI/MALR/IFAD Supervision, Mid-term Review and Project Completion Reports.</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>• Unstinted support and cooperation by NPCU.</li> </ul>
<b>Outputs by Component/ Sub-component</b>			
<b>Irrigation and Water Management:</b> <ul style="list-style-type: none"> <li>• Rehabilitation and Development of On-farm Irrigation Systems (branch canals, mesqas, marwas and farm improvements);</li> </ul>	RIMS 1st level: <ul style="list-style-type: none"> <li>• Command areas and feddans rehabilitated (RIMS 1st level)</li> <li>• No. and length of main and branch canals improved;</li> <li>• No. and length of mesqas improved (Km) and irrigable area;</li> <li>• No. of farmers with improved mesqas;</li> <li>• No. and length of marwas improved (Km) and irrigable area;</li> <li>• No. of farmers with improved marwas;</li> <li>• Total Area irrigated in marwas;</li> <li>• Total area of levelled land (feddans);</li> <li>• Total area with improved drains (feddans);</li> <li>• Total area with soil improvement (feddans);</li> <li>• No. and capacity of pumping stations installed by types;</li> <li>• % change in yields of main crops at the head and tail of mesqas (RIMS 2nd level);</li> <li>• Ratio of farm water delivery to the amount entering mesqas.</li> </ul>	As for purposes above	As for purposes above

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions
<ul style="list-style-type: none"> <li>Institutional Development and Capacity Building.</li> </ul>	<p>RIMS 1st level:</p> <ul style="list-style-type: none"> <li>No. of branch canal and mesqa WUOs formed/strengthened;</li> <li>No. of branch canal and mesqa WUOs strengthened and operational;</li> <li>No. of WUOs functioning by type and area served in fd;</li> <li>No. of farmers trained in irrigation and water management, per WUAO, disaggregated by gender;</li> <li>No. of women in WUOs management positions;</li> <li>No. of WUOs with properly functioning governance bodies;</li> <li>No. of general body meetings held per year/WUO;</li> <li>No. of audits per WUOs/number of satisfactory audit reports;</li> <li>% of WUOs electing key office bearers on regular/proper basis;</li> <li>No. of WUOs/BCWUOs showing new leadership in governing bodies;</li> <li>No. /% of WUOs with proficient management staff hired, trained and functioning;</li> <li>% of women members and on WUO board (target 30%).</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>BCWUOs/ mesqa WUOs records;</li> <li>PRAs;</li> <li>Case studies, beneficiary surveys in selected areas;</li> <li>Project monitoring reports.</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>Timely completion of civil works;</li> <li>Farmers able to out-source and timely complete earth works;</li> <li>Democratic, responsive and accountable WUOs in place;</li> <li>Continuous favourable policy environment for the formation of WUOs.</li> </ul>
<p><b>Agriculture competitiveness enhancement:</b></p> <ul style="list-style-type: none"> <li>On-farm farming system research</li> </ul>	<ul style="list-style-type: none"> <li>No. of on-farm research carried out on high value organic crops/products, livestock and water use;</li> <li>Increases in crop and livestock production and returns per unit land and water;</li> <li>No. of women and men attending training, extension, demonstration activities. (ratio in range of 50%);</li> <li>Increased on-farm labour productivity for women and men.</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>Annual Impact Assessments</li> <li>Village Impact Assessments;</li> <li>Project monitoring reports;</li> <li>Annual progress and supervision reports.</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>Suitable and qualified service providers available and collaborate with Project;</li> <li>MALR decentralization of extension and research continues.</li> </ul>
<ul style="list-style-type: none"> <li>Participatory agricultural and water extension</li> </ul>	<ul style="list-style-type: none"> <li>No. of farmers engaged with projects/implementing agencies (by type of activity and gender);</li> <li>Demonstrations held on farmers land (RIMS 1st level);</li> <li>Farmers accessing technical advisory services facilitated by Project (RIMS 1st level), by type and gender;</li> <li>No. of new techniques adopted by farmers;</li> <li>Extension packages disseminated;</li> <li>No. of training courses;</li> <li>No. of demonstrations;</li> <li>No. of field days;</li> <li>No. of farmers trained; % of female farmers trained;</li> </ul>	<p>As above, plus:</p> <ul style="list-style-type: none"> <li>Reports of collaborating projects/agencies.</li> </ul>	<p>As above.</p>

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions
	<ul style="list-style-type: none"> <li>• No. of farmers adopting improved project disseminated technologies;</li> <li>• No. of farmer reporting production increase;</li> <li>• % Changes in cropping intensity;</li> <li>• % change in yields of major crops;</li> <li>• % change in profitability of farming.</li> </ul>		
<b>Rural Enterprise and Microfinance Development:</b> <ul style="list-style-type: none"> <li>• Rural finance through demand driven lending;</li> </ul>	<ul style="list-style-type: none"> <li>• Value of gross loan portfolio (RIMS 1st level);</li> <li>• Client satisfaction with the products and service provider;</li> <li>• No. of borrowers: male/female disaggregated;</li> <li>• Average loan size and use of loan by category;</li> <li>• Volume of loans per loan product;</li> <li>• No. and type of products available;</li> <li>• Financial recovery rate (%);</li> <li>• No. of intermediary financial institution staff trained and TA assignments completed.</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>• MSE/MSE business records accounts and tax documents;</li> <li>• Participating MFI Reports.</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>• Best practice by SFD and intermediary financial institutions implemented;</li> <li>• Financially attractive on/off-farm investments available.</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthening financial intermediaries (CDAs, NGOs)</li> </ul>	<ul style="list-style-type: none"> <li>• No. of CDAs/NGOs strengthened/trained;</li> <li>• No. of CDAs/NGOs sustainably functioning;</li> <li>• No. of CDAs/NGOs receiving loans from SFD;</li> <li>• No. and types of training provided to CDAs/NGOs.</li> </ul>	<ul style="list-style-type: none"> <li>• Reports of intermediary financial institutions;</li> <li>• Project monitoring reports;</li> <li>• Annual progress and supervision reports.</li> </ul>	As above
<ul style="list-style-type: none"> <li>• Support to Market Associations and MSEs</li> </ul>	<ul style="list-style-type: none"> <li>• No. of MSEs licensed and registered;</li> <li>• No. of MAs and MSEs benefited from project services;</li> <li>• No. of MSEs provided with loans;</li> <li>• No. of Loan proposals submitted;</li> <li>• No. and amount of Loans disbursed (in USD);</li> <li>• No. of MSEs with guaranteed loans provided;</li> <li>• Repayment rate;</li> <li>• Share of Portfolio at risk, write off ratio;</li> <li>• No. of MAs established (RIMS 1st level);</li> <li>• No. MAs and MSEs receiving technical/management training;</li> <li>• Enterprises established/strengthened: cf male/female share of entrepreneurs;</li> <li>• Client satisfaction with products and service providers;</li> <li>• MSE still operating 1, 2, 3 and 4 years after funding;</li> <li>• Incremental Number of jobs created/\$ invested;</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>• Reports of participating MAs and MSEs</li> </ul>	As above

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions
	<ul style="list-style-type: none"> <li>Incremental volume of sales/\$ invested.</li> </ul>		
<b>Project Coordination and Management</b> <ul style="list-style-type: none"> <li>National Project Coordination Unit</li> </ul>	<ul style="list-style-type: none"> <li>Desk Officer and capability established;</li> <li>Liaison and oversight systems/procedures set up;</li> <li>Project funds flow mechanisms agreed, monitored;</li> <li>Practical assistance of IFAD IPMU obtained, fulfilled;</li> <li>No. of policy dialogue sessions held;</li> <li>M&amp;E system established and functioning;</li> <li>Coordination meetings, review processes and participatory M&amp;E procedures, including surveys, studies and evaluations established.</li> </ul>	As above <ul style="list-style-type: none"> <li>Supervision and progress reports;</li> <li>Project accounts/records.</li> </ul>	As for Purposes above
<ul style="list-style-type: none"> <li>Governorate Project Coordination Unit</li> </ul>	<ul style="list-style-type: none"> <li>Competent GPCU Coordinator staff recruited, appointed;</li> <li>Representation of women in cadre, %/numbers</li> <li>Project fund allocation, fund flows assured;</li> <li>Systems and responsibilities for oversight of operations, financial control and mentoring of District activities established;</li> <li>Service provider contract systems designed, operating and performance supervised;</li> <li>M&amp;E system established and functioning;</li> <li>Coordination meetings, review processes and participatory M&amp;E procedures, including surveys, studies and evaluations established;</li> <li>No. of policy dialogue sessions held.</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>GPCU Coordinator management meeting minutes and reports;</li> <li>GPCU audit reports;</li> <li>Participatory M&amp;E reports.</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>Gender factors included in staff and service provider contract conditions;</li> <li>Project funds allocation formula approved and in use.</li> </ul>
Key Activities and Targets	Inputs (USD million)		Financing %
<ul style="list-style-type: none"> <li>225 mesqa canal and 6 branch canal WUOs established;</li> <li>Improved irrigation and water management in 15 command areas of approximate 25,500 fd;</li> <li>39,570 HHs reached with both irrigation and farming support;</li> <li>At least 14,068 micro-entrepreneurs and 48 MSEs benefit from short and medium/long term investment loans;</li> <li>104 MAs formed and successfully linked with traders and exporters.</li> </ul>	Irrigation & Water Management 43.50 Agriculture Competitiveness Enhancement 3.79 Rural Enterprise and Microfinance Development 11.30 Project Coordination and Management 5.43 <b>Total Project Costs 72.16</b> (including contingencies)	Government 21.3% IFAD Loan 65.1% IFAD Grant 1.4% Beneficiaries 12.2%	

### Appendix 3: Physical progress measured against AWP&B and appraisal targets Period: 1-Jan 2012 to 17-June 2013

Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by project)	(by supervision mission)
<b>Impact level</b>				
<b>Overall Goal.</b> Poverty reduction and improved livelihoods of small farmers, the landless, rural women and unemployed youth in the project area.		According to NPCU raw data, physical progress in relation to 2012/13 AWPB targets is well below expectations. The implementation of water users' association (WUA) training activities is substantially below the planned number of events (130 events compared with 280 planned, for 46% achievement). Outreach to groups or individual farmers is significantly lower than anticipated (211 women trainees compared with 1,511 planned; 1,269 men trainees compared with 12,100 planned, for 11% achievement). In Upper Egypt civil works have not commenced, compared with the target of 4,000 fd (25% achievement). In the Delta, improvements on 67 marwa canals with aggregate length of 24 km and command area of 2,589 fd (equiv. 1087 ha) have been completed, compared with the target of 13,000 fd (23% achievement). Staff training is moderately adequate at 65% of targeted participation.	na	3
<b>Project Purpose.</b> Increase agriculture production and farm incomes of the project target group by: improving on-farm irrigation and water management, achieving higher water use efficiency and more equitable water distribution, and greater effective participation of users in water management.			na	3
<b>Outcome level</b>				
<b>Irrigation and Water Management</b>				
(a) Rehabilitation and Development of on-farm irrigation systems	In the Delta, improvements on 67 marwa canals with aggregate length of 24 km and command area of 2,589 fd (equiv. 1087 ha) have been completed.	There is presently insufficient implementation progress to be able to assess the project's impact.	na	3
(b) Institutional Development and Capacity Building	There are currently about 130 Marwa cooperatives and Mesqa committees strengthened/formed with a total of 1,050 members. Of these, 446 were trained in operation and management of infrastructure.	There is presently insufficient implementation progress to be able to assess the project's impact.	na	3
<b>Agriculture Competitiveness Enhancement</b>	Three MAs were strengthened/formed with a total of 5,132 members.	There is presently insufficient implementation progress to be able to assess the project's impact.	na	3
<b>Rural Enterprise and Macro Finance Development</b>	Microfinance operations commenced in late 2012 in villages associated with the selected irrigation command areas. Between October 2012 and mid-June 2013, an amount of EGP 1.2 million was disbursed to four CDAs, which in turn have disbursed 175 micro-loans to final borrowers.	There is presently insufficient implementation progress to be able to assess the project's impact.	na	3



Arab Republic of Egypt  
On-Farm Irrigation Development Project in the Oldlands  
Supervision report - Mission dates: 17-28 June 2013  
Appendix 3: Physical progress measured against AWP&B and appraisal targets Period: 1-Jan 2012 to 17-June 2013

Output level							
Outputs by components	Indicator	AWP&B (planned)	Actual (achieved)	%	Appraisal (global)	Cumulative (so far)	%
<b>Irrigation and Water Management</b>	Groups managing infrastructure formed/strengthened	285	130	46%	1 425	130	9%
	People in groups managing infrastructure formed/strengthened (men)	6 199	882	14%	102 000	882	1%
	People in groups managing infrastructure formed/strengthened (women)	926	168	18%	25 500	168	1%
	People trained in infrastructure management(men)	3 915	387	10%	9 497	394	4%
	People trained in infrastructure management(women)	585	43	7%	2 374	52	2%
	People trained in natural resources management(men)	405	0	0%	7 914	20	0%
	Land under irrigation schemes constructed/rehabilitated (ha)	1 008	410	41%	10 715	504	5%
	Staff of service providers trained(men)	40	26	65%	200	26	13%
	Staff of service providers trained(women)	10	4	40%	50	4	8%
<b>Agriculture Competitiveness Enhancement</b>	Marketing groups formed/strengthened	15	3	20%	174	3	2%
	People in marketing groups formed/strengthened(men)	1 305	4 814	369%	13 920	4 814	35%
	People in marketing groups formed/strengthened(women)	195	318	163%	3 480	318	9%
	Marketing groups with women in leadership position	0	3	#DIV/0!	52	3	6%
	Government officials and staff trained (men)	40	25	63%	400	25	6%
	Government officials and staff trained (women)	10	5	50%	100	5	5%
<b>Rural Enterprise and Macro Finance Development</b>	Community groups formed/strengthened	0	4	#DIV/0!	46	4	9%
	People in community groups formed/strengthened(men) (MFCS)	0	122	#DIV/0!	56 272	122	0%
	People in community groups formed/strengthened(women) (MFCS)	0	53	#DIV/0!	14 068	53	0%
	People in community groups formed/strengthened(men) (SEDO)	0	0	#DIV/0!	84	0	0%
	People in community groups formed/strengthened(women) (SEDO)	0	0	#DIV/0!	21	0	0%
	Financial institutions participating in project (SEDO & MFCS)	0	4	#DIV/0!	47	4	9%
	Active borrowers(men) MFCS		122	#DIV/0!			#DIV/0!
	Active borrowers(women) MFCS		53	#DIV/0!			#DIV/0!
	Value of gross loan portfolio (MFCS) (USD)	1 067 000	171 429	16%	10 975 000	171 429	2%
<b>Agriculture Competitiveness Enhancement</b>	People trained in crop production practices and technologies (men)	0	0	#DIV/0!	7 914	0	0%
	People trained in crop production practices and technologies (women)	0	0	#DIV/0!	1 979	0	0%
	People trained in livestock production practices and technologies (men)	0	0	#DIV/0!	4 946	0	0%
	People trained in livestock production practices and technologies (women)	0	0	#DIV/0!	4 946	0	0%
	People trained in post-production, processing and marketing (men)	0	0	#DIV/0!	6 331	0	0%
	People trained in post-production, processing and marketing (women)	0	0	#DIV/0!	1 583	0	0%
	Government officials and staff trained (men)	40	25	63%	400	25	6%
	Government officials and staff trained (women)	10	5	50%	100	5	5%
<b>Outreach</b>							
	Households receiving project services	7 914	1 050	13%	39 568	1 050	3%
	Individuals receiving project services(men/women)	39 570	5250	13%	197 840	5 250	3%
	Communities receiving project services	9	9	100%	180	9	5%





## Appendix 4: Progress against previous mission recommendations

Action Agreed	Agreed date for action to be taken	Responsibility	Progress June 2013
Project Implementation			
Appoint/ recruit a qualified Project Manager	Immediately	NPCU	Re-organization of PMU is in progress.
Appoint/ recruit qualified Governorate Project Coordinators	Immediately	NPCU	Not done
Appoint/ recruit qualified full time project staff and fill staffing gaps as per PIM	Immediately	NPCU	Partially done, list was not available
Recruit consultant and/or service providers to put in place a sound M&E system and provide training on M&E and preparation of progress and annual reports	Immediately	NPCU	Not done
Establish Governorate Project Coordination Units (GPCUs)	As soon as possible	NPCU	Partially done, list was not available
Project launch workshops	Upper Egypt: 15 July 2012 Delta: End of June 2012	NPCU/GPCU	Workshop was launched for Assiut in December 2012; others to follow, early in 2013.
Preparation of Progress Report	February & September each year	NPCU	Partially done.
2012/13 AWPB to be submitted for IFAD 'no objection' consistent with FY.	31 May 2012	NPCU	Done
Liaise with other on-going projects to avoid overlap of activities			
Revision of Project Implementation Manual.	30 September 2012	NPCU	Not Done
Outputs - Irrigation and Water Management			
Provide data on the number of beneficiaries, land size distribution and ownerships in the irrigation command areas selected for improvement under the Project.	Immediate	NPCU	Partially done for Upper Egypt. Will submit a complete list by next supervision.
Provide site supervision and inspection of marwa improvement works by AENRI as planned to examine the quality of the installed pipelines and ancillary facilities and certify the quantity of works carried out. (Kafr el Sheikh & Beheira)	Immediate	NPCU/ GPCU	Not done yet, but agreed to do as soon as possible, not later than next supervision.
Establish marwa committees to work in harmony with WUOs and provision of training for their leaders and members. (Kafr el Sheikh & Beheira)	Immediate	GPCU	In progress – 20 established in Beheira
Harmonize the plan for marwa improvement works with the progress of electricity gird installation and supply of electricity to the area. (Kafr el Sheikh & Beheira)	Immediate	NPCU/ GPCU	Done
Rapid technical evaluation and cost estimate of on farm irrigation rehabilitation works of the command areas selected in Upper Egypt Governorates	Immediate	NPCU/ IIS	IIS is replaced by a national consulting firm with Gov't funding. The required estimates to be done by mid-March 2013
Formation and training of Branch Canal WUOs in Upper Egypt Governorates	Immediate	WUOs/CDSI/ GPCU	Expected to start in late Feb 2013.
Formation of mesqa WUOs in Upper Egypt Governorates	Immediate	NPCU/ GPCU/IAS	Not done.

Action Agreed	Agreed date for action to be taken	Responsibility	Progress June 2013
<b>Agriculture Competitiveness Enhancement</b>			
Recruit a Marketing Specialist to coordinate marketing activities, and ensure improved linkages with the private sector, relevance of the extension activities to be supported by the project, and coordination with other related activities undertaken by EDSPs, SFD, and SEDO.	Immediate	NPCU	Marketing Specialist was recruited. SEDO representatives were effectively involved. See attached table 1 for detail
IFAD to provide an outline of the Terms of Reference for the Marketing Specialist, and to assist in the selection process.	As soon as possible	IFAD	Done
Ensure involvement of the private sector and explore their potential engagement with MAs, possibly through the organization of a workshop.	Immediate	NPCU/SEDO/EDSPs	See attached table 1 for actions carried out
Ensure synergies with other donors collaborating with SFD in OFIDO's target area, especially with those projects undertaking similar activities.	Immediate	NPCU/GPCU/SFD	See attached table 1 for actions carried out
Capitalize on potential synergies with other IFAD-supported projects in the area (such as UERDP), and also avoid duplication of efforts (such as in the field of extension and training).	Immediate	NPCU/GPCU	In Progress
<b>Rural Enterprise and Micro Finance Development</b>			
Speed up the provision of demand-driven micro finance loans to the target group through financial intermediaries such as CDAs, Agricultural Cooperatives, using SFD's standard operational policies, practices, and procedures.	Initiate lending immediately	Micro Finance Sector of SFD	In Progress – Selected 3 NGOs: 2 in Assiut, 1 in Qena
Speed up the provision of demand-driven small and medium loans to SMEs either directly by SEDO or through banks which have established credit facilities with SEDO, using SFD's standard operational policies, practices and procedures. Without jeopardising the adoption of "best practices", SEDO should give priority to SMEs investments along the value chain, such as: supply and maintenance of irrigation equipment; irrigation system repair and maintenance, supply of pumps, spare parts and repairs; storage facilities; feed mills; horticultural packaging and pre-cooling facilities, milk processing facilities and others.	Initiate lending activities immediately	SEDO of SFD	Have not signed agreement with PBDAC- Draft is finalized, but PBDAC has not signed. SFD is seeking other channels including Central Union of Agricultural Cooperatives. See attached table 2
Complementarities between UERDP and OFIDO. Credit needs for the targeted project's clients in the Governorates of Qena and Assiut should be covered by SFD under UERDP through special arrangements among UERDP, OFIDO and SFD to ascertain credit needs for OFIDO clients in these two governorates are covered on priority basis by UERDP (i.e. households in the project's irrigation command areas and their associated villages). The credit needs for the target group in the governorates of Sohag, Beheira and Kafr El Sheikh should be covered by SFD under OFIDO.	Initiate of lending activities immediately	UERDP, OFIDO and SFD	On-going Workshop is planned for March 2013
Synergy between OFIDO, UERDP, other donor-funded capacity building projects in favour of SFD. In order to avoid overlapping and to secure maximum benefits and efficiency, there is need coordinate activities financed by IFAD and other donors in project area.	Continuing	SFD and NPCUs of OFIDO and UERDP	Not done

Action Agreed	Agreed date for action to be taken	Responsibility	Progress June 2013
<b>Fiduciary Aspects</b>			
The accounting software requires further customisation. It should be linked to the AWPB & procurement plan. The reports should be formatted as per IFAD requirements and classified by source of financing, components and categories. In addition, the system should report in the various currencies (EGP, USD and SDR). Specific permission rights based on user levels should be designated once the customisation is complete.	30 June 2012	NPCU/ MALR	Not Done
Two new DAs would be opened and maintained in, USD as prescribed in the LTB. Existing accounts in EGP will operate as the Project Accounts to receive funds from the respective DAs of the loan and grant.	With immediate effect 31 May 2012	NPCU/ MALR NPCU	Done Done
Mixing of funds between different financing sources should be avoided.	With immediate effect, 22 April 2012	MALR/ NPCU Financial Officers	Done
Exchange rates for withdrawal purposes should be the rate applied at the time of transfer of funds from the DA to the PA and <u>not</u> at the date of payment nor date of WA. Accounting system to be set-up to utilise the exchange rates on FIFO basis.	With immediate effect; 22 April 2012	MALR/ NPCU Financial Officers	Adopted
Financial Statements to conform to IFAD reporting requirements by source of financier, corresponding category of expenditure and component.	With immediate effect; 22 April 2012	NPCU Financial Officers	Done
Close monitoring and quantification of beneficiary contributions will be required.	With immediate effect; 22 April 2012	CW Engineer responsible for the activity should provide the information to the NPCU Financial Officers for reporting	Not done
Refer to the recently approved IFAD Operational Guidelines on Project Audits prior to carrying out the audit to inform on IFAD minimum requirements.	Prior to the audit; circulate to auditors by 30 April 2012	NPCU Financial Officers/ Auditor	Done
Intensive training and implementation support required for OFIDO staff to accelerate implementation.	May 2012 to Dec 2012	IFAD/ MALR	In progress
Corrections to the LTB: inconsistencies between Paragraphs 7 and 11 on advance modalities; and modifications to the procurement thresholds to increase the ceiling for civil works under NCB to USD 500,000.	31 May 2012	IFAD	Revision of LTB in progress and modification to procurement thresholds taken into account.



## Appendix 5: Financial: Actual financial performance by financier; disbursements by category and by component (as at 14 June 2013)

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursement (USD '000)	Per cent disbursed
IFAD Loan	47 000	3 585	8%
IFAD Grant	1 000	118	12%
Government	15 343	9 354	61%
Beneficiaries	8 814	112	1%
<b>Total</b>	<b>72 157</b>	<b>13 169</b>	<b>18%</b>

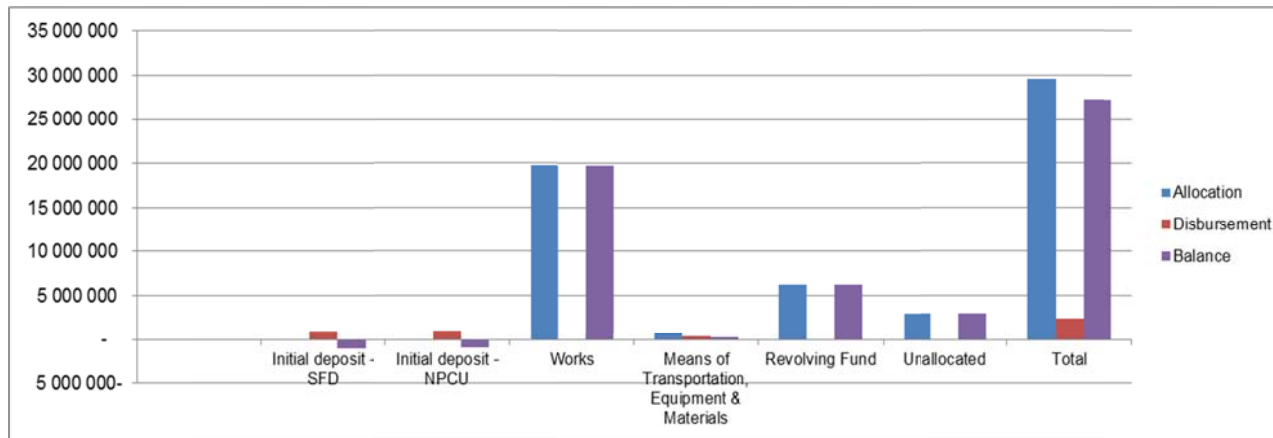
Table 5B: Financial performance by financier by component (USD '000)

	IFAD Loan			IFAD grant			Beneficiaries			The Government			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
<b>A. Irrigation &amp; Water Management</b>															
Rehabilitation & Devt of On Farm Irrigation Systems	34 840	-	-	-	-	-	8 814	112	1.3%	5 494	4 036	73%	49 149	4 148	8%
Institutional Development & Capacity Building	599	78	13%	342	34	10.0%	-	-	-	415	112	27%	1 356	224	17%
<b>Subtotal Irrigation &amp; Water Management</b>	<b>35 439</b>	<b>78</b>	<b>0.22%</b>	<b>342</b>	<b>34</b>	<b>0.1</b>	<b>8 814</b>	<b>112</b>	<b>0.0</b>	<b>5 909</b>	<b>4148</b>	<b>70%</b>	<b>50 504</b>	<b>4372</b>	<b>9%</b>
<b>B. Agriculture Competitiveness Enhancement</b>															
Extension & Research	1 821	250	14%	268	-	-	-	-	-	1 611	600	37%	3 699	850	23%
Marketing Associations	687	-	0%	83	-	-	-	-	-	41	-	0%	811	-	0%
<b>Subtotal Agriculture Competitiveness Enhancement</b>	<b>2 508</b>	<b>250</b>	<b>10%</b>	<b>351</b>	<b>0</b>	<b>-</b>		<b>0</b>	<b>-</b>	<b>1 651</b>	<b>600</b>	<b>36%</b>	<b>4 510</b>	<b>850</b>	<b>19%</b>
<b>C. Rural Enterprise &amp; Micro Finance Development</b>															
Rural Finance	8 003	202	3%	-	-	-	-	-	-	-	-	0%	8 003	202	3%
Strengthening Financial Intermediaries	55	-	0%	308	-	-	-	-	-	19	-	0%	383	-	0%
<b>Subtotal Rural Enterprise &amp; Micro Finance Devt</b>	<b>8 059</b>	<b>202</b>	<b>3%</b>	<b>308</b>	<b>0</b>	<b>-</b>		<b>0</b>	<b>-</b>	<b>19</b>	<b>0</b>	<b>0%</b>	<b>8 386</b>	<b>202</b>	<b>2%</b>
<b>D. Project Coordination Units</b>															
Central Project Coordination Unit	326	278	85%	-	-	-	-	-	-	1 493	1 134	76%	1 819	1 412	78%
Governorate Project Coordination Units	669	365	55%	-	-	-	-	-	-	3 536	1 245	35%	4 205	1 610	38%
<b>Subtotal Project Coordination Units</b>	<b>995</b>	<b>643</b>	<b>65%</b>	<b>-</b>	<b>0</b>	<b>-</b>		<b>0</b>	<b>-</b>	<b>5 029</b>	<b>2 379</b>	<b>47%</b>	<b>6 024</b>	<b>3022</b>	<b>50%</b>
<b>Total PROJECT COSTS</b>	<b>47 001</b>	<b>1 173</b>	<b>2%</b>	<b>1 001</b>	<b>34</b>	<b>3.4%</b>	<b>8 814</b>	<b>112</b>	<b>1.3%</b>	<b>12 608</b>	<b>7 127</b>	<b>57%</b>	<b>69 425</b>	<b>8 446</b>	<b>12%</b>

**Table 5C-a: IFAD loan disbursements (SDR, as at 14 June 2013)**

Category	Category description	Allocation	Disbursement	Balance	Per cent disbursed
	Initial deposit - SFD		979 444.74	-979 444.74	
	Initial deposit - NPCU		944 144.46	-944 144.46	
I	Works	19 740 000.00	-	19 740 000.00	0.00
II	Means of Transportation, Equipment & Materials	670 000.00	385 925	284 074.86	57.60
III	Revolving Fund	6 230 000.00	-	6 230 000.00	0.00
	Unallocated	2 960 000.00	-	2 960 000.00	0.00
	<b>Total</b>	<b>29 600 000.00</b>	<b>2 309 514.34</b>	<b>27 290 485.66</b>	<b>7.80</b>

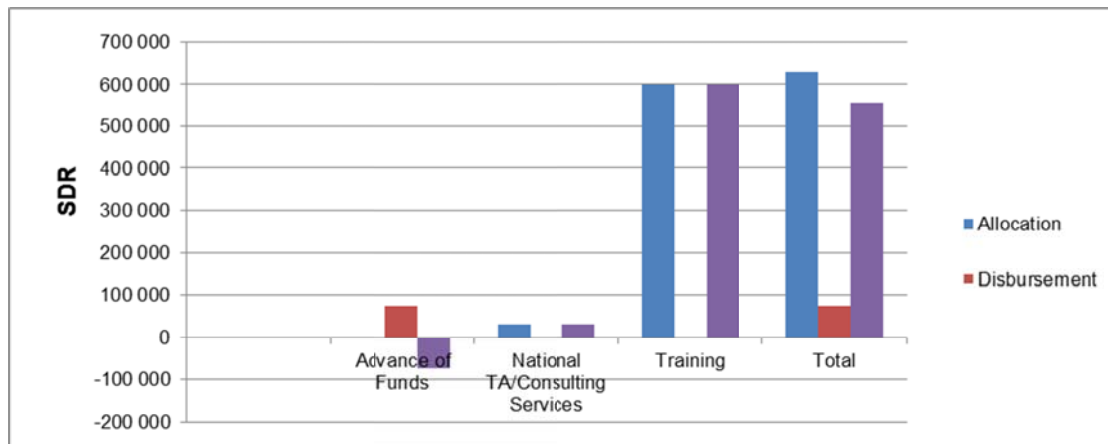
**Figure 1: IFAD loan disbursement, comparisons between original and revised allocations and actual disbursement**



**Table 5C-b: IFAD Grant disbursements (SDR, as at 14 June 2013)**

Category	Category description	Allocation	Disbursement	Balance	Per cent disbursed
	Advance of Funds		<b>74 272.70</b>	-74 272.70	
I	National TA/Consulting Services	30 000.00	-	30 000.00	0%
II	Training	600 000.00	-	600 000.00	0%
	<b>Total</b>	<b>630 000.00</b>	<b>74 272.70</b>	<b>555 727.30</b>	<b>12%</b>

**Figure 2: IFAD grant disbursement, comparisons between original and revised allocations and actual disbursement**







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

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B. Para 6	Project to open two Project Accounts, one for the Loan and one for the Grant, for Project operations for the benefit of the Lead Project Agency; and another for a Project Account for the Loan for Project operations for the benefit of the Social Fund for Development (SFD) (hereinafter referred to collectively as "Project Accounts"). The 2 Project Accounts shall be opened in a bank proposed by the Borrower and acceptable to the Fund.  A consolidated Annual Work Plans and Budgets for the loan and grant, with procurement plan, to be submitted for its review and comments.	As soon as possible	Complied with	
Section B. Para 7	The Borrower shall make adequate budgetary allocations for the Project in accordance with AWP&B.	No later than 60 days before beginning of each Fiscal Year Annually	recurring non-compliance  Complied with	As of end June 2013, NPCU has not submitted it  The Government has maintained its trend of contributing timely and generously to support project operations.
Section E. Para 1(a)	A Framework for Collaboration Agreement between the National Project Coordination Unit and the Project Parties to be finalized, in accordance with Schedule 1 paragraph 7 prior to any request for withdrawal.	January 2011	Complied with	
Section E. Para 1(b)	A Subsidiary Loan Agreement to be finalized between the Borrower and SFD in accordance with Schedule 1 paragraph 11.3 before any disbursement under Category V (Revolving Fund) in what regards the financing of Component 3 (Rural Enterprise and Microfinance Development) of the Project may be requested.	October 2010	Complied with	
Schedule 1, Para 8	A small Project Coordination Unit at governorate level (GPCU) to be established in each governorate. Each GPCU shall be located in the Governorate Directorate of Agriculture and shall report to the NPCU.	Jan – Feb 2011	In Progress	Establishment of GPCUs is lagging behind.
Schedule 1, para9	A mid-term review to be jointly carried out by MALR, MOPIC and the Fund no later than the end of the Project's fourth year.	April 2014	April 2014	Expected to be carried out on time
Schedule 1, para10	A draft Project Implementation Manual to be prepared by the NPCU and submitted for approval to MALR. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund.	December 2010	December 2010	Requires revision. Agreed to be done by 30 September 2012 and this didn't happen.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 2.		Complied with	
	Progress Reports to be submitted to IFAD on annual basis.	No later than 2 months after the end of each year	Partial compliance	The quality of project progress reporting requires substantial improvement.
	Submission of Financial Statements.	Within 4 months after the end of each fiscal year	Non-compliance	
	Audit Reports on project accounts of each year to be submitted to the Fund. Furthermore NPCU, through, SFD shall submit to the Fund the reply to the management letter of the auditors.	Within 6 months after the end of each fiscal year. And within one month the reply to management letter of the auditors	Partially complied with	Received with almost one month delay for the last audit report

## **Appendix 7: Learning and innovation**

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

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There is presently insufficient implementation progress to be able to assess what worked well.

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

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There is presently insufficient implementation progress to be able to assess lessons learned.

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

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There is presently insufficient implementation progress to be able to assess this subject matter.

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### **Innovation: How might this be replicated by others, or upscaled here?**

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There is presently insufficient implementation progress to be able to assess the project's replicability.

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## Appendix 8: Supervision mission schedule and persons met

Date	Description
17 June	Mission arrives in country (air travel Rome/Cairo/Luxor)
18 June	Road travel Luxor - Qena Meetings in Qena with GPCU, SFD, other stakeholders Field visit Qena; meetings with beneficiaries
19 June	Road travel Qena – Sohag (depart 9.00, arrive 12.00) Meetings in Sohag with GPCU, SFD, other stakeholders Return to capital city (air travel Luxor – Cairo)
20 June	Road travel Cairo – Alexandria (depart 9.00, arrive 12.00) Meetings in Beheira with SFD, GPCU, other stakeholders Field visit Beheira; meetings with beneficiaries
21 June	Field visit West Noubaria Rural Development Project; meeting with PMU Director
23 June	Return to capital city (road travel Alexandria–Cairo)
24 June	Meetings with NPCU, MALR and SFD Preparation of mission Aide Memoire
25 June	Preparation of mission <i>Aide Memoire</i>
26 June	Finalisation of mission <i>Aide Memoire</i>
27 June	Two separate wrap up meetings to discuss key findings and recommendations with (i) MALR; (ii) MOPIC, NPCU, SFD
28 June	Return to Rome

### Complete list of people met

#### Government Agencies

H.E. Mr Ahmed Al Gizawy, Minister for Agriculture and Land Reclamation  
 Ms Mona Mehrez, Supervisor, Central Admin. Foreign Agriculture Relation, MALR  
 Eng. Sayed Hussein, Director, National Project Coordination Unit, UERDP NPCU, Cairo  
 Mr Mohamed Hammam, Head of Sector, Cooperation with International, Regional and Arab Financing Institutions, MOPIC  
 Mr Mohamed Rashed, General Director for Regional Financing Organisations, MOPIC  
 Mr Tarek Kotb, First Assistant Minister, Ministry of Water Resources and Irrigation

#### OFIDO NPCU, Cairo

Dr Mohamed Samir Abo Soliman, Director of PMU  
 Mrs Sahar Kandil, Financial Officer (IFAD - Grant and Loan)  
 Mrs Essam Osman, Financial Officer (Local Fund)  
 Dr Magi Abdul El- Samad, Administrative Coordinator  
 Mr Mohamed El-Waraki, Procurement Officer  
 Mr Ahmed Ismail, Warehouse Officer  
 Mrs Nesserin Sayed, Accountant  
 Mrs Soha Sanad, Accountant

#### GPCU Qena

Eng. Eman Mohamed Aly, Governorate Project Director  
 Mr Ashraf Aly, Finance Officer

### **GPCU Sohag**

Eng. Mostafa Moh. A. Fattah, Governorate Project Director

### **GPCU Beheira**

Eng. Abdel Hay Zakaria Afifi, Governorate Project Director

### **Social Fund for Development, (SFD)**

Ms Hanaa El Hilaly, Director General, Central Sector for Planning & International Cooperation

Ms Howaida El Hawary, Head of Monitoring Sector, Central Sector for Planning & International Cooperation

Mr Seif Kamel, Deputy Manager, Agribusiness Department, Central Sector for Non-Financial Services

Ms Amany Youssef, Director General, Microfinance Central Sector

Ms Nevine Badr El-din, Deputy Director, Microfinance Central Sector

Mr Zoheir El Shandweily, Head of Agribusiness Department, Central Sector for Non-Financial Services

Ms May Shams El-Din, Senior Officer, Central Sector for Planning & International Cooperation

Dr Amal Gamal Eldin, Sector Director; Finance and Operations

Mr Hossam Fathy Aziz, Head of Central Sector, Internal Audit

Mr Mohamed Ahmed Soliman, Officer Operation Department, Finance and Operations

#### Qena Regional Office:

Mr Amr Ibrahim Abdullah, Manager, Qena Regional Office

Ms Mariam Nayrouz Nashed, M&E Officer

Mr Montaser Abdel Rahim, Deputy Manager

Mr Mahmoud Abdo Hindawy, Microfinance unit officer

Mr Mohamed Ghareeb Shabeeb, Microfinance officer

Mr Mahmoud Ahmed Mohamed Zidan, Microfinance officer

## **Appendix 9: Summary of implementation support provided by IFAD**

1. From 7-20 November 2012, an implementation support mission was fielded to assist the project in the final selection of the command areas; and help address problems causing delay in the implementation of activities.
2. From 10 to 22 February 2013, an implementation support mission was fielded to join the World Bank supervision mission. The main objective of the mission was to assist the project address the implementation arrangements issue, in particular (i) to explore common grounds for harmonizing OFIDO's implementation arrangements related to water resources management approach with FIMP; (ii) together with the World Bank Mission, recommend an agreed implementation arrangements to the PMU to execute; and (iii) follow up on agreed actions as recommended by the 2012 supervision and follow up missions.
3. IFAD provided continuous supervision and implementation support to project management on a daily basis by the IFAD Country Office and on periodic basis from IFAD HQ.