



Investing in rural people

Arab Republic of Egypt

On-Farm Irrigation Development Project in the Old Lands

Mid-Term Review Report

Main report and appendices

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Abbreviations and acronyms

ANRI	Agriculture Engineering Research Institute
ARC	Agricultural Research Center
BCWUOs	Branch Canal Water Users' Organizations
CDAs	Community Development Associations
CDIAS	Central Department of Irrigation Advisory Service
COSOP	Country Strategic and Opportunities Paper
EALIP	Executive Authority for Land Improvement Projects
GOE	Government of Egypt
GPCU	Governorate Project Coordinator Unit
III-MO	Integrated Irrigation Improvement and Management Project
IIP	Irrigation Improvement Project
IAS	Irrigation Advisory Service
MAs	Marketing Associations
MFIs	Micro Finance Institutions
MALR	Ministry of Agriculture and Land Reclamation
MOPIC	Ministry of International Cooperation
MTR	Mid-Term Review
NPCU	National Project Coordination Unit
PSC	Project Steering Committee
RIMS	Results and Impact Management Systems
SEDO	Small Enterprise Development Organization
SFD	Social Fund for Development
SWRI	Soil and Water Research Institute
UERDP	Upper Egypt Rural Development Project
WUA	Water User's Associations

A. Introduction¹

1. A mission from the International Fund for Agriculture Development (IFAD) visited Egypt from January 12th to 28th, 2015 to undertake the Mid-Term Review of the On-Farm Irrigation Development Project in the Old lands (OFIDO). In total 9 days was spent in Cairo and 7 days in the field. The objective of the mission was to assess Project performance, review management and implementation arrangements, examine financial management and disbursement of funds, assess monitoring and evaluation arrangements and conduct an assessment of the extent to which Project objectives are likely to be met. The mission examined progress achieved under each component, identified key constraints and identified lessons learnt and made recommendations regarding adjustments in the design where this was considered necessary to achieve overall Project objectives. The mission also included a review of the capacity building needs of OFIDO which will be supported by an IFAD-FAO initiative on capacity development for better management of public investment in small-scale agriculture being implemented by FAO-TCI over 2014-15.

2. The mission met with key senior officials of the Ministry of Agriculture and Land Reclamation (MALR), Ministry of Water resources and Irrigation (MAWR), the Agriculture Engineering Research Institute (AENRI), the Social Fund for Development (SFD), private sector contractors, CDAs and NGOs providing financial services. Field visits were undertaken to the Project Governorates of Qena, Sohag, Assiut, Beheira and Kafr El Sheikh where the mission met with governorate level officials of all implementing agencies. The mission met with representatives of the branch canal, water user associations, agriculture cooperatives, men and women farmers trained under the Project as well as those expected to benefit from it.

3. This report reflects the mission's key findings and recommendations which were shared with the Government at a wrap up meeting chaired by Prof Dr. Adel El Beltagy, Minister of MALR on 27th January, 2015. A separate wrap up meeting was held with Ms. Soha Soliman Managing Director of the Social Fund for Development regarding the microfinance and rural enterprise development component and with Eng. Mohamed Hammam and Dr. Mohamed Rashid of the Ministry of International Cooperation (MIC) to brief them about the progress, recommendations and elicit their support during implementation. The mission would like to express its appreciation for the support and collaboration extended by the Government of Egypt and in facilitating visits to each of the Governorates.

B. Overall assessment of Project implementation

4. **Objective:** The overall goal of the Project is to improve the livelihoods of the rural poor in the Project area through targeted interventions to enhance farms production potential and raise households' income. This is to be achieved through (i) improvements in the irrigation network, where priority will be given to areas cultivated by an overwhelming majority of farmers owning less than three feddan; (ii) improvements in agricultural productivity on small holdings through an appropriate integrated research and extension system; (iii) support to marketing for small holders and the landless; and (vi) support for employment and income generating micro and small enterprises for the poor, landless, women and youth through better access to rural financial services and capacity building.

5. The project is expected to finance a series of interventions under four main components, namely: (i) irrigation and water management; (ii) agriculture competitiveness enhancement; (iii) rural

¹ Mission composition: Mr. Abdehaq Hanafi (Country Programme Manager for Egypt), Mr. Vrejjiyan (Programme Officer NEN), Mr. Mohamed Hebara (Country Programme Officer), Ms. Maliha Hamid Hussein (Team Leader and Rural Development Specialist), Mr. Aziz Tabet (Water Management and Irrigation Specialist), Mr. Munoz Giovanni (Land and Water Development Engineer) from FAO TCIC, Mr. Magdy Moussa (Rural Finance specialist), Mr. Moez Makhoulouf (Finance Specialist) and Mr. Malek Haddad (Procurement Specialist). Eng. Sayed Hussein, Director General of Funding Agencies Department of MALR joined the mission for field visits. Ms. Isabella Mazzarella and Ms. Amal Tharwat provided invaluable administrative and logistical support to the mission.

enterprise and micro finance development; and (vi) project coordination and management. The total expected budget of the project was USD 72 million with IFAD providing a loan of USD 47 million and a grant of USD 1 million. Government was expected to provide USD 15 million. The total project budget is given in Table 1 below.

Table 1: Project Budget and Financing

Financier	Appraisal (USD '000)	Disbursement (USD '000)	Balance	% disbursement
IFAD Loan	47,000	7,155	39,845	15.2%
IFAD Grant	1,000	118	882	11.8%
Government	15,343	10,576	4,767	68.9%
Beneficiaries	8,814	512	8,302	5.8%
Total	72,157	18,361	53,796	25.4%

6. **Implementation progress:** OFIDO became effective in February 2010 but due to the political situation and rapid administrative changes in the country, the Project activities suffered and were only fully initiated towards the end of 2012. The Project was first initiated in five governorates and later extended to two additional governorates through a supplementary financing agreement.² By end December 2014, the Project had disbursed only USD 7.15 million of the allocated loan of USD 47 million (15.2%) and only USD 118,000 of the grant of USD 1 million (11.8%) in the first four years of implementation. IFAD's slow rate of disbursement is due to the late start of Project activities, the time required for identification and detailed designing of schemes, testing of various implementation modalities, refining the technical specification for investments in modernizing the system, investing in capacity building for the participating institutions and administrative changes in Project management. However, the Project has made considerable progress in undertaking the preparatory work for putting in place a system for the procurement of all the works and services required for the Project. The mission is confident that the ground work has been laid to procure the private contractors who are expected to undertake the civil works and install the system. The Electric Companies have initiated the installation of the grid for providing electricity to the pumping stations. The NPCU has signed contracts amounting to around USD 23 million and is expected to make rapid progress in the implementation of civil works by the end of the year.

7. **Implementation approach:** The mission was pleased to note that the Project has remedied the deviations in the implementation approach in the irrigation and water management component which have been discussed with IFAD during various implementation support missions and that the NPCU has stopped the use of force account mechanisms and is increasingly involving the private sector to competitively tender and procure the services and equipment required for irrigation improvement under the Project. The NPCU has also agreed not to manufacture the hydrants required for the Project in Government workshops but to let private contractors procure them as part of the overall contract based on the technical specifications approved by the Technical Committee for both Lower and Upper Egypt. The mission would like to stress the clear distinction between the role of the public and private sectors in order to ensure that the model that is developed is in keeping with the strengths of the two and ensuring sustainability and efficiency of the model that is being developed.

8. IFAD funded OFIDO has laid the groundwork for enabling the Government to achieve its objective of modernization of the irrigation sector in the mega 5 million feddan programme. The Project has demonstrated a cost-effective and sustainable approach through use of private contracting. This work has been truly ground breaking.

9. The mission hopes that with the clarity in the implementation approach, the Project is on course to develop a replicable and scalable model for modernizing the irrigation system in the old lands. The MTR feels that the NPCU also has a good model demonstrated by GIZ through the farmer field school

² This mission only covered the progress in the original Project area as Project activities have not yet been initiated in the additional districts.

methodology for improving the quality of its training programme in crop and livestock husbandry which can be implemented with its support. In addition, the scope of work of SFD has been clarified and progress on this component has also begun to show good progress with the expectation that all funds will be effectively used by the end of the Project period. **This is the reason that the MTR mission believes that a rating of Moderately Satisfactory is justified by the performance of the Project.**

C. Outputs and outcomes

Component 1: Irrigation and Water Management

10. **Objective.** The overall objective of the Project's Irrigation and Water Management (IWM) component is to increase agriculture production and farm incomes of the targeted farmer groups by improving water availability and reliability. OFIDO is considered by the Government as a pilot demonstration Project in testing modalities for implementation aimed at establishing a cost-effective and replicable model of on-farm irrigation development and water users' organisation, allowing for scaling up to five million feddans by the Government. The component includes two sub-components: (i) Rehabilitation and Development of On-farm Irrigation Systems; and (ii) Institutional Development and Capacity Building. The component was designed for rehabilitation and modernization of on-farm irrigation systems over an area of 25,500 feddans by Project completion, benefiting some 25,500 farm families in selected command areas within the five targeted governorates of Kafr El Sheikh and Beheira (12,000 feddan) in Lower Egypt (Delta), and Assiut, Sohag and Qenain Upper Egypt (13,500 feddan).

11. **Overall assessment:** Activities planned under the Irrigation and Water management (IWM) component have progressed much more slowly than expected during the last two AWPBs and are still behind schedule at MTR. During field visits and through discussions with farmers and Project implementation staff, the mission noted positive improvements in the quality of Project achievements in Lower Egypt and perceived a significant acceleration of the implementation process in the targeted areas in Upper Egypt where works have just started. Contracts have been approved and awarded to small private contractors for about 13 small-scale civil works (Intake and pump-houses) in Qena and Assiut. In addition, seven contracts have been awarded for a more comprehensive approach to the development of the irrigation system in Sohag as well as 3 contracts for electrification to national companies. However, the MTR mission is concerned about the organisation of the supervision and quality control of construction works and installation of pumping equipment. The MTR also observed lack of detailed design drawings which accord to the specificity of each location. During field visits, the mission discussed with contractors' representatives, Project supervisors and technical field staff these issues and found that there is a need for the clarification of the role of each entity implementing Project activities and that specific technical assistance is needed to provide training and assist in quality control.

12. Overall the Project implementation is on a promising track as reflected in discussions with farmers in Lower Egypt where Project actions are all in all well received and appreciated despite minor shortcomings. Furthermore most of the farmers met in Upper Egypt are eager to see an acceleration of Project activities after about two years of expectations since the first awareness and consultation meetings. Nevertheless critical additional institutional and capacity building work still needs to be undertaken with an effective participatory approach to ensure full involvement and commitment and well understanding of Project objectives. Modalities and legal basis for organisation of water users needs to be clarified. Preparation through training of users to take over operation and maintenance after completion of works still needs to be worked out with clear decisions on the responsibility of each entity and the *interface* between off-farm and on-farm irrigation systems to avoid confusion.

13. While the implementation progress and prospects for tangible achievements are encouraging, some further improvements referred to above are necessary in order to reach an acceptable standard of reliability and efficiency in the water distribution system that would ensure good functioning of the

system and its sustainability. **The mission is therefore of the opinion that the overall progress in component implementation performance is Moderately Satisfactory.**

14. **Implementation Progress.** The mission estimates that during the current AWPB, the total amount committed through signed work contracts or about to be committed is likely to attain LE160 million (USD23 million, 47% of the component total cost) that would make possible the improvement and modernization of about 16,000 feddans entirely in the Upper Egypt area. Adding this to the area already improved in Lower Egypt during last AWPB of 4,550 feddans (18% of the target) and the area of 1,000 feddans for which works are about to be awarded, it is expected that the Project would achieve by the end of next AWPB the improvement of an area of about 21,600 feddans which represents 84% of the Project objective under this component, benefiting about 22 000 smallholders. In addition, the NPCU has initiated the tender process for another 5000 feddans in Lower Egypt for which pipe has already been procured and a process of national competitive bidding has been advertised and technical bids received. The PMU expects that this work will be completed by the end of June 2015.

15. **Sub-component: Rehabilitation and on-farm irrigation development.** As stated in the Project design document (PDD), Project activities started in Lower Egypt where interventions concern only the improvement of quaternary on-farm channels (marwas) with buried low pressure PVC pipesto complement the improvements already executed by the MWRI on associated branch canals and tertiary canals (mesqas) with the World Bank financed III-MP. The modalities adopted by the NPCU for the execution deviated from the model presented in the PDD, since instead of procuring all the required pipes, accessories and equipment needed (hydrants, valves, etc.) through competitive biddings, the Project used pipes provided by the IIIMP Project while the fittings and hydrants were manufactured by force account through the establishment of a government established workshop financed with local government funds. At the end, the construction works for marwas improvement were executed entirely by force account for all necessary items and organized and conducted by the NPCU itself, acting more as an implementing entity than a coordination unit. Through this model, the NPCU improved an area of only about 4,550 feddans scattered in more than eight locations.

16. This system did not work entirely satisfactorily since it necessitated early and continuous repairs to respond to farmers' complaints which resulted in the total revision in the design of the fittings and hydrants to avoid leakages and early corrosion. During field visits, the MTR mission observed in fact that gradually adapted solutions are being taken to respond to specific faults identified by farmers. In addition, as a result of the multiple institutions and donors involved, farmers are confused about who is responsible for what. This model of procurement has proved to be ineffective, difficult to monitor and has resulted in poor quality of civil works, equipment and is institutionally complex in which responsibility is difficult to pin on any one given the multitude of players.

17. Further to the recommendations made by the last supervision mission to review the quality of the u-PVC pipes and recourse to private small civil work contractors, the NPCU has adopted two procurement modalities. One for Lower Egypt that consists of supplying small contractors with the needed pipes that have been purchased by the Project³, while they have to purchase a standardized new model of hydrant adopted by the Technical Committee of MALR, to be manufactured by local private manufacturers. This model of hydrant is supposed to be easy to operate, easy to maintain and repair, and cost effective. The MTR believes that special consideration should be given to the selection of hydrant materials because corrosive conditions are likely to exist particularly in Lower Egypt (soil salinity). About 1,000 feddans have been tendered under this procurement model for which bids are being evaluated. In Upper Egypt, further to IFAD recommendations, the Project adopted a model that avoids splitting tender documents and procurement organized through national and international competitive bidding. The mission was of the view that the private sector appeared to have the requisite capacity for implementation and showed promise.

³ 300 km of pipes have been already purchased by the Project

18. Furthermore, the selection of command area in Lower Egypt has also deviated from the Project design in the sense that Project interventions are scattered in various locations. The mission discussed with the Project management the rationale for not having delineated two single command targeted areas of 6 000 feddans each, as envisaged in the PDD on which Project improvement could be concentrated for greater impact and visibility, transparency and effectiveness. The NPCU argued that from a technical point of view, the Project could not find a large area where all mesqas had recently been improved and were in good working condition, with adequate electric pumping equipment with the correct flow rates, pressure and availability of electricity. The mission agreed that it is indeed difficult and risky to connect an on-farm low pressure irrigation system to an existing irrigation network that was not initially designed for this purpose and that presents uncertainties with regard to the necessary water pressure at the marwa-mesqa connection point.

19. In Lower Egypt, OFIDO was designed to build on the previous work done at the mesqa and branch canal level by the III-IMP and undertake improvements only at the marwa level. The marginal unit cost for IFAD to develop one feddan in Lower Egypt is USD 475 per feddans on average compared to USD 1700 per feddans in Upper Egypt. However, due to the fact that many of the pumps installed do not have adequate flow rates or pressure to meet the requirements of the system connected with underground pipes, it has proved extremely difficult to find contiguous areas in which to work and thus the marwa level development has been highly fragmented as noted above. This makes it difficult to capitalize on the investment and deliver the other Project components and achieve Project objectives. Therefore, the MTR recommends that for any new investments in Lower Egypt, the canals would be in good condition with adequate flow of water, pumps installed at the Mesqa level should have the appropriate flow rates and pressure and be well functioning, the selected marwas should be contiguous, the specific canals for IFAD investment should be clearly identified and only national bidding procedures should be applied with strong control on the quality of design, construction and supervision. The MTR reviewed the list of proposed areas for Lower Egypt which are given in the table below.

Table 2: Implementation progress in Lower Egypt

I. Irrigation Improvement Completed				
Governorate	Total area (feds)	NbMesqa and pumping station*	NbMarwa	Beneficiary
Kaft EL Sheikh	1 657	56	236	1 411
Beheira	2 897	79	443	2 433
Total	4 554	135	679	3 844
II. Irrigation Improvement to be completed				
Governorate	Feddan	Financial bids opened or Technical bids received		
Kaft EL Sheikh	1700	Halafi Canal (519), Taha (618), Marsel Gamal (566)		
Beheira	3937	RayyahZarkoon, Nikla and Sawaki Al Hadded (548), Old Abbis (741), New Abbis (837), Bahar El Ghazal (Shaban Canal) (535), Bahar El Ghazal (Zawiet Ghazal) (597) and Bahar El Ghazal (Balba) (679)		
Total	5640			

20. **Project interventions in Upper Egypt** cover the three selected command areas of about 15,000 feddans in Qena, Assiut and Sohag. In these governorates the approach is to cover the improvement of the entire lower level irrigation system which includes the intake structure from a sub-branch canal, the single electric pumping station that replaces 4 to 6 existing diesel ones, and the pipeline network over an average area of 50 feddans. Building on the experience in Lower Egypt, the NPCU adopted two new hybrid models for procurement of works and equipment in Upper Egypt. The first one intends to procure separately for the construction of civil works related to the intake and

pump-house and for the improvement of the magrou/marwas⁴ and installation of pumping equipment. This model has been adopted for Qena and Assiut command areas. It has the advantage of ensuring through a first visible intervention the real commitment and interest farmers to the proposed irrigation investments and identifies on-site solutions to possible conflicts. During field visit in Qena and Assiut, the mission observed that works are progressing smoothly and up to 30% and 50% of the intake units are being achieved respectively. The second model was adopted in Sohag, consisting of procuring in one tender all the parts of the improvement including construction of intake and pump house, installation of electric pumping equipment and buried pipes for magrou/marwas.

21. With regard to the supply of electricity to the pumping stations through the installation of an electrification grid, of the three contracts signed with local public companies, two are progressing well (Qena and Assiut) with about 50% execution completed, while in Sohag, the company is ready to start once the advance payment is provided.

Table 3: Implementation Progress in Upper Egypt

Governorate	Total area (feds)	Intake and pump-house		Electricity Grid (%)	Magrou/Marwa	Number of contracts
		Nbr	%			
Qena	4379	80	46%	50%	Ready for tendering	6 for intakes and pump-house (on-going), 5 for supply an installation of electric pumping and develop Magrou/marwa (yet to be tendered) and one for electrification (on-going)
Assiut	4200	94	26%	50%	Ready for tendering	7 for intakes and pump-house (on-going), 6 for supply an installation of electric pumping and develop Magrou/marwa (yet to be tendered) and one for electrification (on-going)
Sohag	6771	117	0%	0%	Contract signed	7 contract that includes intakes and pump-houses, supply an installation of electric pumping and develop Magrou/marwa (on-going) and 1 for electrification (about to start)

***Mesqa and pumping stations have been improved by the III-MP WB Project*

22. *Sub-component: Institutional Development and Capacity Building.* According to the Project design, activities under this component were designed to reactivate existing WUOs in Lower Egypt and the establishment of new WUOs in Upper Egypt. Actually Water Users Organizations (WUOs) have been established at all concerned Mesqa canals by previous MWRI Projects in Lower Egypt on the basis of the Water Law N°213 of 1994. At on-farm level, the Project introduced the establishment of Marwa Committees (MCs) of 5 to 10 farmers connected to an individual marwa as part of the existing Farmer Cooperatives. Linkages between the WUO and MCs at a mesqa level are not yet clear to the farmers. The Project has established about 500 MCs over the 4,550feddans improved and organized training sessions mainly on how to operate the hydrants and to plan irrigation scheduling and distribution rotation in Lower Egypt.

⁴ In Upper Egypt farmers are abstracting water directly from sub-branch canals with a large number of individual private pumps. There is no mesqa in the sense of what has been seen in Lower Egypt. Therefore, the Project intends to group a number of individual pumps into one single pumping station. The irrigation network includes a principal marwa called magrou that distributes surface water directly to marwas.

23. In Upper Egypt, the NPCU has signed a protocol with the Central Department for Irrigation Advisory Services (CDIAS) of the MWRI to form and train water users organizations (WUOs) at each branch and magrou canal. At magrou and marwa levels, the Project preferred to develop the concept of Marwa Committees linked to Farmer Cooperatives because magrou and marwas are interconnected. In Qena and Assiut good initiatives are being taken between MWRI and MALR to cooperate in the formation of WUOs at the branch canal (BCWUOs) level. Federations of all WUOs at each pumping station that take water from the same sub-branch canals are being organized to enhance their voice and participation and cooperate with MWRI for maintenance and equitable water allocation and distribution.

24. During field visits the mission noticed that farmers are well aware of the scope of the proposed magrou/marwa improvement and are broadly aware of the benefits. Some are however unsure about the operation and maintenance responsibilities and cost sharing modalities. However, in the agreement with farmers, where these have been signed, there is clear stipulation that the capital costs will be a L.E. 400 annually to be recovered after a grace period of five years. Since the Project has only just started implementation, the mission believes that the first consents of the farmers that were obtained one year ago through awareness campaigns need to be updated and confirmed. These include the signature of an agreement in principle for this purpose generally by a group of five farmer leaders and the acceptance of the owner of the parcel of land on which the intake and pump-house structure will be built to use it for the purpose of the improved system without compensation. Now that the works are starting on the intakes some farmers met by the mission had questions about the responsibilities at the different levels of the system and would like to review the conditions of the agreements signed with the Project, particularly the statutes of the pumping station operator and the future of those workers who were responsible for this function over the large number of traditional individual pumps that the Project intends to group into single collective ones. The Project started these discussions and formed about 82 Magrou/Mesqa Committees which represents 27% of the total targeted (27 in Sohag, 35 in Assiut and 20 in Qena). The MTR is concerned that the process of formation has been delayed and may limit farmer participation in the design and supervision of the civil works.

25. To ensure farmers acceptance of Project interventions and minimize the risk that farmers would revert to the previous system and leave behind the Project infrastructure, the mission recommends a systematic update of these agreements with a more effective participatory process involving all the concerned farmers to avoid the risk of pumping station capture by influential leaders who are former owners of individual pumps used to sell services of pumping water to smallholders.

26. The other activities planned to be implemented through this sub-component are related to land leveling (15,450 fd), soil improvement (6,900 fd), and sub-surface drainage (9,150 fd). The Project coordinator informed the mission that these activities should be programmed after the marwas improvement and that about 20,000 fd were planned to be improved during the current AWPB for land improvement except for the sub-surface drainage for which there is no need in the selected command areas. At this stage of the Project, the MTR recommends that attention should be on developing the additional land which the governorates have identified for irrigation modernization in Upper Egypt. A major part of the remaining Project resources from the unallocated category (SDR 2.9 million) should be used for this purpose. The investments in land levelling and soil improvement on the improved lands are, in any case, likely to be undertaken by the farmer themselves, as and when needed. Therefore, these investments can be made by the farmer and considered as the farmer's contribution to the process of irrigation and land development.

Component 1: Irrigation and Water Management		
Agreed action	Responsibility	Agreed date
Cooperation between IIS of MWRI and NPCU: The protocol between the NPCU and the Irrigation Improvement Sector (IIS) of MWRI needs to be revised and updated including specific provision for compensating the MWRI staff working on the Project.	NPCU/PSC/IIS	March 2015
Sub-Branch canal improvement: Carry out in Upper Egypt a general ground survey of the current status and level of degradation of the about 22 Sub-Branch Canals that would supply water to the Project pumping station and prepare a budget for maintenance and repair	GPCUs of Qena, Sohag and Assiut / Irrigation District Engineers	August 2015
Detail design drawings for marwas/ In Upper Egypt, elaborate for each pump-station command area, a specific detailed drawing at scale 1:500 representing the design of the on-farm water distribution system including valve and hydrant location as well as drawings of the pumping station. To identify marwa locations; length and hydrant positions to produce dimensioned sketches for all marwas fed from each pumping station	NPCU and GPCUs of Qena, Sohag and Assiut	August 2015
Update signed agreements with farmers: Conduct new awareness and consultation meetings with all users especially tail end users in each Mesqa/Magrouh in order to update and consolidate the agreements that have been signed confirming their commitment to Project interventions.	GPCUs of Qena, Sohag and Assiut / CDIAS	December 2015
Modalities and conditions for handing over pumping stations. Specify and clarify conditions under which water users would take over operation and maintenance after works completion at the <i>interface</i> between off-farm and on-farm irrigation systems prior to the completion of works	NPCU/PSC/IIS of MWRI	End of March 2015
Water Users Organizations: Elaborate a specific protocol with CDIAS for the formalization and training of WUAs in Upper Egypt.	NPCU-GPCUs of Qena, Sohag and Assiut / CDIAS	April 2015
Construction works supervision and quality control. Recruit through NCB a consulting firm to provide assistance in construction works control and supervision in Sohag, Qena and Assiut–	NPCU	March 2015
Transfer of know how: Organize a visit for selected leaders of Water User Organizations from Lower Egypt to conduct session meetings with water users in Upper Egypt	NPCU	On-Going

Accelerated Capacity Development Plan (ACDP)

27. An IFAD-FAO initiative on “Capacity development for better management of public investment in small-scale agriculture in developing countries” is being implemented by FAO-TCI over 2014-15. This Initiative aims at strengthening the implementation performance of Projects in 8 countries classified by IFAD at some stage as “problem Projects”, including OFIDO in Egypt. Following the first identification mission in September 2014, the FAO team elaborated an Accelerated Capacity Development Plan (ACDP) addressing the main technical, managerial, institutional and fiduciary

constraints hampering the performance of the OFIDO Project in all seven governorates. The ACDP will aim at addressing (i) where feasible, bottlenecks that will provide short term returns in terms of implementation performance and disbursement; and (ii) medium-long term and cross-cutting constraints that hamper performance. FAO will mostly address technical as well as selected Project management issues. FAO interventions will take the form of technical coaching and on-the-job training. The beneficiaries of the capacity development interventions will include Project staff and selected government staff at central and governorate level.

28. The ACDP aims at reaching out to three distinct target groups: (i) the staff of the MALR and MWRI involved in Project implementation who deal with operational procedures to improve quality of works and supervision capacities (ii) the staff of the MWRI responsible for operation and maintenance of main irrigation schemes where OFIDO is active, in order to introduce the practice of Service Oriented Management; and (iii) the staff of the MWRI, the MALR, the CDIAS and the Extension Service, who are involved in the formation and strengthening of Water Users' Associations in order to equip them with appropriate techniques to ensure the viability of the WUAs and enhance on-farm productivity of irrigated agriculture.

29. Trainings and follow up on the areas mentioned above were discussed with the NPCU and the IIS and will be implemented within 2015 with follow up coaching as required subsequently. The costs of the implementation of the ACDP trainings will be covered by the FAO-IFAD initiative from a grant earmarked for this purpose. A costed training plan is presented as an Annex to this report.

Agreed action	Responsibility	Agreed date
Organise two training events on Supervision of Civil Works and Contract Management in Upper Egypt for governorate level staff of MWRI and MALR.	NPCU in coordination with GPCUs and IIS	By the end of April 2015
Organise one training on Service Oriented Management for managers and engineers of selected irrigation schemes where the Project is active.	NPCU in coordination with IIS	By the end of June 2015
Organise a Training of Trainers on strengthening WUAs for relevant staff of the MALR, MWRI and the Extension Service	NPCU/GPCU in coordination with ISS, CDIAS and the Extension Service	By the end of June 2015

Component 2: Agriculture Competitiveness Enhancement

30. **Objective:** This component is expected to provide demand-driven training and agricultural technical assistance to farmers, individually and through Market Associations and Water User Organizations. Strong emphasis is to be placed on various themes including better water management and promotion of modern irrigation systems, soil quality improvement, promotion of crop diversity and the introduction of high-value crops, crop rotation and crop-livestock integration, piloting for up scaling of farmers adaptation to climate change, sound smallholder farm management for higher sustainable returns per unit of land and water; and support for local farmer organizations through capacity-building and service provision. The component also includes provision for a participatory research/extension approach implemented through specialised teams composed of extension staff and irrigation advisors as well as on-farm systems research on farmers' fields to test the technologies provided by exporters or traders and focusing on introducing high value crops and organic agriculture among other innovative practices new for the area.

31. **Implementation approach:** The extension programme is to be carried out by the extension departments of the directorates of agriculture at each governorate upon demand from the farmers and Market Associations. There was a strong emphasis in the design approach on the articulation of demand for services by the MAs for both research and extension services for which they were expected to gradually cover the cost of inputs in contractual agreements. These demand driven extension/ research and irrigation advisory services are expected to reach some 39,568 farmers also benefiting from other Project components. The Project is expected to establish 104 new MAs during

the Project life time. The direct beneficiaries of these MAs are expected to be 7,270 households who generate additional job opportunities for more than 18,860 persons. The Project is expected to form 35 livestock production MAs engaging more than 2,000 women and 35 other types of MAs with 1,700 participating women.

32. **Research:** There appears to be some sort of coordination between agriculture extension, research and the marketing specialist hired by OFIDO. However, the methodology for coordination is more informal and depends upon individual personalities rather than any formalized institutional processes. It is very difficult to identify any special research agenda which has been identified for the purposes of the Project. The research staff involved with the Project list some of the overall research that they are pursuing at the governorate level as part of their normal work. It is hard to assess what research activities have been undertaken specifically for the purposes of OFIDO. There is no clear research agenda based on the needs that may have emerged from the farmers, the process of identification of the research needs, the findings or a strategy for dissemination. There is need for the development of a proper **research plan** specifically targeted at the smallholder farmers of OFIDO dealing with water and crop issues together with a plan for how the research results would be disseminated and the role of farmers in the process.

33. **Extension Training:** The Project has done well to involve a range of institutes in the training programme. The needs of the extension training are identified in collaboration with the target communities. However, the idea that formal MAs would engage in contractual arrangements with the Directorates of agriculture to provide the training has simply not materialized and was clearly too ambitious. The training in improved irrigation practices has not yet started in Upper Egypt because the WUAs have not yet been organized there. However, in Lower Egypt, the Project has trained more than 4072 men and 270 women in addressing technical problems in on-farm irrigation and water management. Several extension trainings have been conducted on crop, livestock and post-harvest technologies which have involved around 3500 farmers of which 52% are women. However, most of these trainings are for a duration of between one to five days. The livestock training for women on poultry and small ruminants was for a day each and included chicken, ducks, rabbits and the one for livestock included sheep and goats. What was interesting to note is that the NPCU has completely segregated the crop and livestock training programme by gender. Not a single training in crop production has included women and not a single training in livestock production has included men. A small percentage of women (1%) have been included in post-harvest training.

34. While the Project design document had only identified the number of people that could be trained in the aggregate, there were no specific targets identified in the appraisal document. However, the Project has identified a total of 27,699 as its training target. This number has apparently been developed based on the NPCU's assessment of the likely demand to be generated for the training under the Project. However, clearly these numbers are unrealistic and are unlikely to be met. By the end of December 2014, only 13% of these targets for crop and livestock production had been met. There is a need for the NPCU not to focus on numbers but the quality of training, adoption rate and sustainability by creating a cadre of trained village extension agents who are available informally to provide advise after the Project end. The MTR recommends that the NPCU develop a **realistic four year training plan** with realistic targets based on current experience and involve both men and women in each of the different types of training programmes.

35. **Training methodologies:** While the women met by the MTR mission reported that the trainings were useful, it was difficult to assess the specific impact of training of such short duration. The NPCU needs to introduce a range of other training methodologies such as farmer field schools which are being implemented very successfully by GIZ for both men and women in crop and animal husbandry. These trainings are far more effective in leading to higher adoption rates and create a local cadre of village extension agents since the minimum training period is for one season or a year. Men and women farmers met by the MTR mission under-going this training reported increase in yields of key crops such as wheat, sugar beet. The MTR mission recommends that the NPCU **adopt a range of training methodologies** including the farmer field school methodology for training of men and women farmers in crop and livestock husbandry through contracting specialist expertise. The

agriculture extension department has a cadre of people trained in the farmer field school methodology and there is now a sufficient cadre of people in the private sector with well-developed modules for conducting farmer field schools. The NPCU should capitalise on the availability of these resources which GIZ is also using with the NPCU assistance.

36. **Marketing Facilitation:** The mission found that many activities have been conducted to provide market facilitation and contract farming opportunities to the people. The Project has dropped the Market Association nomenclature and adopted that of Market Committees which are more informal structures and do not have to be formally registered and to distinguish its efforts from those of earlier Projects which were involved in the formation of MAs. Under this component, the Project has established 67 marketing committees with a total membership of around 500 members of whom only 5% are women. Thus while the Project has formed 67% of the market committees it has engaged only 7% of the households envisaged at design. The number of women members was expected to be at least 50% and the number of women MAs were expected to be 67% of the total formed. In fact, none of the MAs are exclusively for women. The Project has only one Marketing Specialist who is singlehandedly expected to cover the work in four Governorates. Beheira has been dropped from his terms of reference because he was unable to extend himself so far. Under the circumstances, the Marketing Specialist has built on his past experience in the Project Governorates by building on previous efforts undertaken by CARE and USAID and other Projects to form Market Associations. He has been attempting to revive some of the defunct associations and use their former experience. While it is difficult to precisely identify the impact of the Project in contributing towards market facilitation efforts, there appears to have been some progress in the introduction of some new crops like Soya bean, marketing of sugar beet, basil and other crops. There is need for the Project to **strengthen its support for marketing** which it can do by leveraging the marketing expertise available through coordinating with UERDP and the on-going PRIME and recently initiated SAIL Projects as they come on stream.

37. Government and IFAD were expected to share the **cost of the training activities** in a set ratio in which IFAD was to contribute 28% of the cost and Government was expected to contribute 72%. However, in practice all the training cost is being claimed from the IFAD grant because the MALR has found it very cumbersome to try and separately pay the cost of each item included in the training programme which includes many types of expenditure such as hotel costs, trainer fees, per diems to the participants, stationary and other small expenses for the organization from several sources in this ratio. The NPCU reports that it has organized many training activities financed entirely from the MALR budget. It has undertaken to prepare a table of all the training activities organized for OFIDO showing the financing source. The MTR mission would like to recommend that this table should be submitted as soon as possible and the procedure for solving this problem for the future should be worked out and agreed between the Government and IFAD to avoid delay in this activity in future. One possible solution that would require IFAD No Objection could be to change the financing percentage for training to be paid at the rate of 100% from the grant starting the date on which IFAD approves this change with no retroactive effect which would mean that only future training could be supported from these funds.

38. **The MTR mission's overall assessment of this component is that it is Moderately Unsatisfactory** based on its findings in the field. There is no specific research that has emerged from the financing provided by the Project. While a large number of men and women have been involved in training, the training numbers are well below target and the precise usefulness of the training seems doubtful given that the crop and livestock trainings were for a day each. The marketing activities have started in earnest but there is only one person working in four governorates which is clearly inadequate. While the number of market committees in terms of their targets has kept pace with the targets, the actual level of participation is well below that envisaged at design. Also it is not clear what role these committees are actually playing on the ground.

Agreed action	Responsibility	Agreed date
Research Agenda: The research agencies involved with the Project should develop a realistic research agenda based on demands of farmers and also develop a plan for dissemination of the research findings.	NPCU for overall coordination and GPU and GDA at the governorate level.	March 2015 and thereafter on an on-going basis during the AWPB.
Training Plan: Develop a realistic four year training plan with realistic targets based on current experience and ensure the inclusion of both men and women in the crop and livestock trainings.	Director General Agriculture Extension with inputs from governorate Directorate of Agriculture Extension	March 2015 and thereafter on an annual basis during the AWPB
Training Methodologies: Introduce the Farmer field school methodology for training of men and women farmers in crop and livestock husbandry through contracting specialist expertise.	Director General Agriculture Extension with inputs from governorate Directorate of Agriculture Extension	On-going
Strengthening Marketing Support: The Project can strengthen the marketing expertise available through coordinating with UERDP and the on-going PRIME and recently initiated SAIL Projects.	Marketing Specialist to coordinate with FAD-financed UERDP and PRIME and SAIL when they initiate operations as all of them have marketing expertise budgeted.	On-going
Counterpart Funds: Change the financing percentage for training to be paid at the rate of 100% from the grant starting the date on which IFAD approves this change with <u>no retroactive effect</u> which would mean that only future training could be supported from these funds.	IFAD	March 2015

Component 3: Rural Enterprise and Microfinance Development

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

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

41. **Implementation progress:** The implementation of this component is well behind schedule and by the end of December, 2014 only 9% of the funds in this category had been disbursed. One main problem which has stalled progress was the lack of consensus on the geographic scope of the area that was considered eligible for coverage for this component. It was initially assumed that the scope of the financial services would only be made available to villages associated with the command areas

benefitting from the irrigation investments by the Project. This narrowed the scope of operations and made it very difficult for SFD to implement its activities in such a small area where there was not sufficient demand being generated. With the issuance of No-objection by IFAD in July 2014 allowing lending activities to be extended beyond the selected command areas to the entire targeted governorates, the performance of the rural finance component, especially through SEDO has witnessed a significant increase.

42. SFD has extended ten loans to small enterprises amounting to L.E. 2.238 million during the last quarter of 2014 alone. In addition to direct lending, SEDO has just finalized a loan agreement to an agricultural cooperative association in Qena of a total amount of LE 5 million for 5 years with a 6 months grace period. The cooperative, acting as an intermediary will on-lend individual loans to its members ranging from L.E. 100,001 to a maximum of LE 300,000 L.E. The small enterprise loans are being used for dairy processing, trade in fertilizers and seeds, sorting and packaging of rice and other agricultural products.

43. With reference to the progress on microloans, the SFD Central Microfinance Sector has managed to issue loan contracts to seven CDAs with a total amount of L.E. 6.59 million out of which L.E. 3.7 million are already disbursed to the CDAs and their ultimate borrowers. Due to the revolving nature of microloans, CDAs were in-turn able to disburse a cumulative loan amount of L.E. 7.075 million to their end borrowers. The planned disbursements during the second semester of 2014 in the AWPB amounted to L.E. 2,255,000 and were exceeded as SEDO alone has disbursed L.E. 2,238,686 in addition to the amounts transferred to CDAs during the same semester of around L.E. 1.5 million. CDAs were able to extend 1,278 loans for a total amount of L.E. 7,075, 350 on a revolving basis. Loans extended helped in creating and maintaining 1,306 jobs (1,210 permanent and 96 temporary).

44. According to the plans discussed with SFD, SEDO is planning to disburse L.E. 15 million to beneficiaries in the targeted governorates through its direct lending, as well as L.E. 19 million through agricultural cooperatives acting as intermediaries)to on-lend to their members within the targeted areas. The Microfinance Central Sector (MFCS) is also planning to disburse a total of L.E. 28 million to CDAs until the end of 2017. These figures are achievable in light of the obvious unmet demand in the targeted governorates and the borrowers' waiting lists that are present at the CDAs visited.

Table 4: Amounts Disbursed and Contracted from revolving Fund (December 2014)

SFD Responsible Department	No. of loans	Amount contracted (L.E)	Amount transferred to CDAs/ Intermediaries (L.E)	No of Loans	Amount on-lent to end Borrowers
Microfinance Central Sector (MFCS)	7	6,592,100	3,700,000	1,278	7,075, 350
Small Enterprise Development Organization (SEDO)	10	2,238,686			
	1	5,000,000			Loans will be extended to members with amounts from L.E. 100,001 to L.E. 300,000

Disbursement Plan for the life of the Project

SFD Responsible Department	2015 (L.E)	2016 (L.E)	2017 (L.E)
Microfinance Central Sector (MFCS)	6,200,000	8,650,000	8,650,000
Small Enterprise Development Organization (SEDO)	<ul style="list-style-type: none"> • Loans to Cooperatives L.E. 6,000,000 • Direct Loans to SMEs around L.E. 5,000,000 	<ul style="list-style-type: none"> • Loans to Cooperatives L.E. 6,000,000 • Direct Loans to SMEs around L.E. 5,000,000 	<ul style="list-style-type: none"> • Loans to Cooperatives L.E. 7,000,000 • Direct Loans to SMEs around L.E. 5,000,000

45. In terms of impact, the Project has positively impacted the lives of poor families in the targeted governorates and helped them to start their income generating activities, mainly in the field of animal husbandry, dairy, poultry, services and trade. The percentage of women borrowers reached 45% of the total borrowers. The Project helped borrowers to overcome the economic turmoil in aftermath of the revolution and the slow economic trend and also helped the CDAs to maintain their portfolio and the jobs for staff managing the SFD loan.

46. The major challenge for the rural finance component in the Project is related to the Microloans extended through CDAs, where the SFD issued a new policy in 2013 limiting the loan tenure to CDAs to 3 years instead of five years, limiting the capacity of CDAs to capitalize their loan funds from interest earned on loans. The MTR recommends that loans be extended to CDAs for five years. The MTR also noted that there was lack of clarity regarding the liability of the cooperative members for the guarantees which they were expected to provide to SFD for on-lending to its member. The MTR recommended that this issue should also be reviewed by SFD so as not to discourage lending to the agriculture sector.

47. Another challenge being faced by the NGOs and CDAs is the recent enacting of the new Microfinance Law # 141 of 2014 which requires all NGOs and CDAs to be registered under the Egyptian Financial Supervisory Authority (EFSA) and will change the minimum capital requirements. This may change the institutional landscape of intermediary financial organizations and presents a certain level of risk. In this regard, the SFD/MFCS is already coordinating with its regional offices to assist CDAs in complying with the new law requirements. Another challenge is that due to the inability of SFD to attract a bank under the Project, the lending to small-enterprise maybe limited due to the use of only direct lending modality. As such, the mission recommends that SFD find other innovative ways to attract other channels to extend the scope of enterprise lending.

48. The mission was pleased to note that the change in leadership at SFD has led to some key policy and procedural changes as a result of which the organization has reviewed some of its policy and procedures regarding direct lending and expects to introduce some innovative mechanisms to enhance the lending under the Project. **The MTR has given a rating of Moderately Satisfactory to this component based on the progress which has recently been initiated by SFD and the MTR's review of its plans which indicate that SFD will be able to disburse the entire revolving fund within the Project period.**

Agreed action	Responsibility	Agreed date
Pursue a concentrated effort for targeting CDAs in the targeted governorates	SFD/MFCS	Ongoing
Follow-up internally within the SFD to allow extending the tenure of loans to CDAs from three to five years to allow CDAs to capitalize its loan portfolio	SFD/MFCS/IFAD	January 2015
SFD should review the requirement of the cooperative members being required to furnish guarantees on behalf of their members for on-lending to them and limit their personal liability.	SFD	March 2015
Assist CDAs in obtaining the required approvals from the Egyptian Financial Supervision Authority (EFSA) to engage in micro-lending in conformity with the new Microfinance Law	SFD/MFCS	Ongoing
Follow-on with the efforts of identifying new Cooperatives to receive funding for on-lending to its members with small enterprises	SFD/SEDO	Ongoing

D. Project implementation progress

49. **Project Management Performance: The MTR believes that the overall performance rating of the quality of Project management is Moderately Satisfactory.** This rating is justified based on the fact that the overall structure of management is strong and in keeping with the design specifications. The Project is implemented through three main management structures namely the (i) Project Steering Committee (PSC) an inter-ministerial policy/strategy committee that enjoys high ranking representation of stakeholders and provides strategic and policy support to the Project; (ii) the National Project Coordination Unit (NPCU) which is the actual Project coordination structure at the national level and (iii) Governorate Project Coordination Units (GPCUs) responsible for the coordination of activities among the executing agencies at the governorate level.

50. A PSC was created by the GOE in October 2014 for the National On-Farm Irrigation Improvement in the Old lands Programme of MALR which includes several donor financed irrigation Projects including the IFAD financed OFIDO. While the MTR is pleased to see this effort at close coordination which is in keeping with the Paris Declaration on donor coordination, there is a risk that specific issues related to OFIDO do not receive the required attention which could be detrimental for the Project, therefore, the MTR recommends that PSC devote time to discuss OFIDO issues on a quarterly basis.

51. The PMU is responsible for a host of other donor Projects in addition to OFIDO. There are a large number of Government staff at the national and governorate level who are working on OFIDO on a part time basis. All salaries and allowances of this staff are paid from the Government budget. Only the per diems for traveling and overnight stays are paid from the project funds. In addition, the NPCU has a small number of full time staff contracted by the project and paid for by the project. The MTR recommends that for greater transparency and accountability it is important to clearly outline which positions are being financed by IFAD at the NPCU and GPCU level. Further, the MTR was concerned that the decision-making at the NPCU is highly centralised even though the PMU has designated an IFAD specific coordinator to facilitate the OFIDO specific requests for information and coordination.

52. The collaboration between the MALR and MWRI is key to the success of the Project. However, this cooperation has been somewhat uneven. While in some governorates the two have forged a good working relationship, this collaboration should be further improved or it can be detrimental to the overall objectives of the Government. The MTR recommends the negotiation of a revised MOU between the two in which the compensation of the staff of the MWRI staff for functions of design, supervision and training should be determined in keeping with Government rules and in order to attract qualified people to the Project. The payments should be paid on the basis of daily rates based on performance and monthly reports. This matter will be discussed between the two Ministries and conveyed to IFAD for its no objection after requisite approval by the PSC.

Agreed action	Responsibility	Agreed date
Ensure that NPCU is structured and staffed with key personnel as per the Project document, including clear ToR and responsibilities for all staff members. The structure and staffing should be endorsed by PSC and communicated with IFAD.	NPCU	April 30, 2015
Ensure Project Steering Committee provides specific time to OFIDO on a quarterly basis to discuss IFAD specific issues on a quarterly basis.	NPCU	On-going
In order to encourage greater collaboration between the MALR and MWRI, negotiate a revised MOU between the two in which the compensation of the staff of the MWRI staff for functions of design, supervision and training should be determined in keeping with Government rules and in order to attract qualified people to the Project. The payments should be paid on the basis of daily rates based on performance and monthly reports. This matter will be discussed between the two Ministries and conveyed to IFAD for its no objection after requisite approval by the PSC.	PSC/NPCU/MALR/MWRI	March 2015

53. **Monitoring and Evaluation:** The Project M&E system has been re-established during the first half of 2013. A new M&E officer has been appointed, who has experience in working in one of IFAD's successful projects in the country (WNRPD) and is familiar with the Fund's reporting requirements. Additionally, 10 local M&E officers (2 per governorate) have been selected and assigned to collect data and evaluate progress at the local level. The local officers are government employees, at the local branches of the MALR Extension Department, who allocate on average 40% of their time to the Project. Occasionally, the project also solicits the support of the local branches of the Agriculture Research Center in collecting outcome data, mostly related to the yield and productivity of certain crops at the governorate/district level. Four additional officers will be selected, for OFIDO's supplementary financing in Minya and Beni Suef governorates (2 per governorate). The local M&E officers at the governorate level are motivated young graduates, nevertheless some capacity building efforts about IFAD reporting requirements would be useful. Therefore, the mission recommends to build their capacity through very targeted trainings on M&E and IFAD's reporting system. The last progress report was submitted on time at the end of December 2014. It might be useful to organize the indicators in a concise and systematic manner. At the moment these reports contain far too many tables which can easily be summarised in a few main tables. The data collected by the project M&E system help the project management in preparing the project's AWPB and the Annual Progress Report. **The MTR mission assesses that the overall rating of the M&E System of OFIDO is Satisfactory.**

54. **Baseline/Impact Assessment Survey:** Since in 2015 the project is supposed to report on the second level RIMS indicators, the M&E officer has initiated the collection of the outcome level data through conducting rapid assessment of the farmer's adoption rates and satisfaction level with the newly developed on farm irrigation system in Lower Egypt, and; the investment and capacity building needs of the rural women in the Project area. These assessments are included in the AWPB 2014-2015. The Baseline Survey for the three governorates of Upper Egypt has been conducted properly and in 2015 the Project is planning to organize the Baseline Survey for the areas covered by OFIDO's Supplementary funding in Minya and Beni Suef governorates.

55. **Annual Work Plan and Budget:** The NPCU is also responsible for preparing the AWPB, in coordination and cooperation with relevant departments and partners at the central and local level. The AWPB 2014/2015 has been submitted to IFAD on time and its quality has been tremendously improved compared with the previous ones. The process of AWPB preparation starts with consultations at the governorate level with relevant MALR departments (extension and research) and SFD local branches. This is followed by a general meeting at the NPCU where representatives from the governorates and other implementing partners discuss and agree the plan for the forthcoming year. However, **the coherence between AWPB and implementation is rated as Moderately Unsatisfactory because of the slow pace of work in the past and the failure of implementation to meet the targets in the annual plans.**

56. **Logical Framework and RIMS Indicators:** The MTR reviewed the logical framework and assisted in reducing it to two pages from its current 30 page format being used by the M&E unit and also simplified some of the indicators. The Project has thus far been reporting only on the first level RIMS indicators. Starting from March 2015, it is expected that the NPCU will start reporting on the second level RIMS for Lower Egypt. Local M&E officers are responsible to collect and submit to the central NPCU the RIMS and other required indicators. Ideally, according to the plan, indicators related to infrastructure rehabilitation should be shared with the central NPCU every 15 days, while the ones related to trainings/capacity building every month, additionally each governorate should prepare a semi-annual cumulative report on all indicators. However, the mission observed that there are delays and inaccuracies in collecting, analysing and sharing the list of the required indicators with the central NPCU. The MTR would like to suggest that the data collection and entry process could be facilitated through use of an electronic system that creates a web-based data storage space and allows the entry and submission of the indicators from the local level to the central NPCU. Safeguards can be built into the system which allow for auto-correction or alerts upon an entry which transgresses the expected values.

Agreed action	Responsibility	Agreed date
Improve the quality of the reporting by use of analytical and summary tables.	NPCU/M&E Officer	Next quarterly and annual report.
Build the capacity of the M&E officers at the governorates level through targeted trainings.	NPCU/M&E Officer	On going
Create an electronic/web-based link between the central NPCU and the local ones at the governorates level.	NPCU/M&E Officer	June 31 2015
As it is planned in the AWPB organize the following assessments: the impact of the newly developed on farm irrigation system and the level of farmer's adoption/satisfaction in lower Egypt, and; the investment/capacity building needs of the rural women in the Project area.	NPCU/M&E Officer	June 31 2015

57. **Gender focus:** In Lower Egypt, 417 of the total households (11%) benefitting from Marwa level improvement are women. While women's participation in trainings reveals that women make up 52% of all those who have been provided training in agriculture extension, 5% of those organized in market associations and 45% of those provided loans. While the Project has focused on women in providing livestock training which is an area of high interest for women it also needs to include women in crop and dairy production, post-harvest technologies as well as enterprise development. Women met by the MTR mission indicated a high level of interest in these areas. The use of training methodologies other than a one-day of lectures packed with a wide range of topics is not appropriate for women given their level of literacy, ability of recall and limited exposure to these types of session. The MTR believes that it would be more appropriate to organize farmer field schools of at least six months duration of the type being conducted by GIZ for them. **The overall gender focus of the Project is Moderately Satisfactory.**

58. **Poverty focus.** The MTR observed the poverty focus of the Project in both Upper Egypt and Lower Egypt. The MTR mission was pleased to note that a closer examination of the land distribution pattern in Beheira and Kafr-El Sheikh showed that the average landholding of the 3776 households benefitting from the modernization of irrigation systems is 1.2 feddans. The mission recognizes that once an area has been selected for improvements, the Project cannot exclude households which may own more than 3 feddans. This fact was recognised during design and it was accepted that some of the included households may actually own more land. However, the mission is satisfied that the Project is generally targeting the poor households and this was also observed in the other two components regarding training and provision of micro-loans. However, the enterprise loans are generally provided to the more entrepreneurial individuals who may not be from among the poorest, but the employment creating potential of the enterprises and the multiplier impacts generated through increased demand for locally produced goods and services extend the benefits to some poorer households as well. **The mission observed that the poverty focus of the Project is Satisfactory** given that the command areas of the identified branch canals are generally owned by smallholders.

59. **Effectiveness of targeting approach:** The targeting approach of the Project is based primarily on the selection of the 22 or so branch canals which was done at the initial stage on the basis of a range of criterion which included poverty criteria as well as technical specifications regarding water availability and canal functionality and adequacy of water supply. The training programme also focuses on topics and areas of interest which are far more relevant for the small holder. In some areas, the MTR found that some of the larger landholders were members of the Market committees, however, this inclusion is likely to assist the marketing of produce as the private sector traders and exporters are in search of volume which is unlikely to be achieved if only the smallholders are involved in the transaction. The microloans are of a size which is generally only of interest to the small holder. However, the enterprise loan are for the more entrepreneurial individual and this inclusion is also appropriate given that it is the overall growth of economic activity which will fuel demand creation

for locally produced goods and services which generally leads to overall growth and poverty reduction in rural areas. **The MTR notes that the targeting approach of the Project is rated as Satisfactory.**

Table 5: Overall Coverage and Outreach of the Project (December 31, 2014)

	Men	Women	Total Households
Irrigation and Water Management			
Irrigation Improvement	3359	417	3776
Improved Irrigation Practices and Management	2371	128	2499
Technical Aspects of Irrigation	4342	270	4072
Natural Resource Management	700	6	706
Agriculture Competitive Enhancement			
crop production practices and technologies	551	0	551
livestock production practices and technologies	0	1855	1855
Post production processing and marketing	1144	13	1157
Marketing Associations	468	27	495
Rural Enterprise and Microfinance			
microloans	703	575	1278
Enterprise loans	5	5	10
Training	956	269	1225

60. **Knowledge Management:** At design it was envisaged that given the knowledge creating purpose of OFIDO, the compilation and dissemination of Project information, experiences and results on an ongoing basis within country and for GOE and IFAD was crucial. As expected, the implementation of the Project in the Delta Governorates is leading to a host of lessons to be learnt and shared which are being continuously incorporated in the Project approach in Upper Egypt. While the responsibility for this was given to the M&E officer in the NPCU, there does not appear to be sufficient capacity for this within the NPCU. The IFAD Country Programme Management is ensuring that the Project approach draws lessons from them and uses them to modify and refine the Project approach. The Project has not developed any special brochures on thematic experience during project implementation. However, it has organized visits for farmers from Upper Egypt to visit local farmers in the Delta to learn from their experiences.

61. **Innovation and learning:** There are several innovative elements regarding the improvements in the irrigation system which were identified and are expected to be implemented in the project. While it is too early to draw all the lessons from the experience so far, some lessons are already beginning to emerge. The PMU tried to reduce the unit cost of the equipment and materials being used by trying to create workshops which produced the pipes and hydrants in Government workshops and then use the force account to get contractors to use this equipment and materials. It has been decided that due to concerns regarding the quality of the pipes and other materials produced in the government workshops, that OFIDO would not use Government workshops to manufacture the materials but use the private contractors to procure them from the private sector for construction under the project. However, an important lesson from this experimentation shows that the PMU has wasted a lot of time as a result and should not have tried to reinvent the wheel. The PMU also experimented with trying to train small contractors and engage them in the project where it felt the private sector was weak. However, the Project has demonstrated that there was no need for the PMU to do this as there is sufficient private capacity in the country. Under the Project, it has been decided to invite the existing contractors rather than trying to train new ones for construction of the civil works. Therefore, for the first time, the MALR has recruited middle tier and small contractors to implement the improvements in the irrigation system. This is likely to reduce the overall costs of improvement and help develop a range of local contractors and service providers in the target Governorates. The Project is also trying to re-establish water user associations at various levels. While the establishment of such associations has been tried before, the process has been somewhat top down. The project plans to establish water committees at the marwa level and embed them in the cooperative structures at the village level and then, build them as representative models at the mesqa and branch canal level with MWRI support.

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

63. **Partnerships:** In addition to OFIDO, the Project Management Unit manages the water investment for several donors including the World Bank, GIZ, the Japanese and OPEC. This joint management responsibility enables the PMU to coordinate and build synergies in the investments of the various donors. OFIDO has capitalised on the investments made by GIZ in strengthening the PMU capacity for data collection and analysis as well as building a GIS system. However, the MTR was concerned that with the current system of recording data there was some confusion regarding the contribution of each donor. This needs to be clearly spelt out in a chart or matrix which identifies the investment for each donor in each Governorate. The PMU has also built partnerships with the MWRI to provide the technical designs for the main canals, the strengthening of the water user associations through the CDIAS, the use of private contractors in the construction of the channel. These partnerships need to be further strengthened to ensure improved implementation of the project. The MTR recommended the development of revised MOUs which clarified the funding for each specific aspect and the time line for implementation. In this regard the role of the Social Fund for Development could also be further strengthened through greater coordination of the PMU staff and those requiring financing services.

E. Fiduciary aspects

64. **Financial management:** A Financial Management (FM) assessment was conducted to review the adequacy of the arrangements in place for the Project. The assessment also included a Statement of Expenditures (SOE) review. The PMU includes seven full time finance staff seconded from different Government departments to manage OFIDO. The staff includes a chief financial officer, one accountant, three assistant accountants and two financial officers. The NPCU does not use a computerised financial system, the Project accounting is maintained on Excel sheets. Payments made from IFAD loan and grant are manually recorded at the NPCU level by the internal auditor. The MALR maintains Project accounts bank reconciliation updated for the two special accounts in USD and the two Project accounts in EGP for IFAD loan and grant on a quarterly basis. As the number of transactions becomes high, the bank reconciliation statements are established on a monthly basis. For the rural finance component, which is implemented by SFD, using the existing skills and human resources within the Fund. It has a good organization and strong financial sector. **Based on the FM supervision, the FM rating of this Project is Moderately Satisfactory.**

65. **Disbursement and Expenditure.** As of December 31, 2014 just 25% of the total funds allocated for the Project have been spent. From the IFAD loan, the Project has spent only USD 7.2 million (15%) after 4 years of operation. The expenditure on the IFAD grant is only USD 0.12 million (12%). However, the total amount of commitments (signed contracts) as of December 31, 2014 is USD33.9 million, financed by IFAD loan (USD20.3 million), IFAD grant (USD0.1 million), MALR (USD13 million) and the beneficiaries (USD0.5 million) and represents 47% of the total Project cost.

66. **Counterpart Funds.** Since the start of the project, the Government was keen to provide the necessary counterpart funding for the project, which ensured the smooth implementation of the project's activities. The MALR receives funds related to its annual budget approved by the Parliament by the Ministry of Finance. The first advance is transferred to the MALR two months after the beginning of each new fiscal year, so during these two months the MALR cannot pay any expenditure on its budget. Counterpart funds are requested by the NPCU, through the AWPB, and then paid directly by the MALR, for the relevant expenditures. As of December 31, 2014, USD 10.6 million representing 69% of the total allocated amount had been disbursed on the MALR budget to pay its

contribution and the NPCU salaries. At the MTR stage the percentage of counterpart fund exceeds the planned amount for this period of the project implementation. Thus, the overall rating of the counterpart funds is rated as Moderately Satisfactory. While the Government has provided its share of the funds, in certain cases transfers has been delayed and for some categories government contribution has not been forthcoming such as the training activities in which Government share was 72%. Also, the Government has not designated a separate bank account for their contributions.

67. For the rural finance component, there is no contribution from SFD.

68. **Compliance with Loan Covenants. The Project's compliance with Loan Covenants is rated as Moderately Satisfactory.** The mission notes partial compliance under the following categories:

- The Project does not submit to IFAD a procurement plan for its review and comments.
- Revision of the Project Implementation Manual.
- The quality of the audit report 2013/2014 has improved over previous audits, but IFAD still waiting the modified audit report taking account of IFAD comments.

69. **Procurement.** The procurement department has one senior procurement officer and two junior officers. All of them are governmental officers. The overall procurement assessment carried out by the mission shows that in general, Goods, Works & Services financed by IFAD have been procured in accordance with the financing agreement and IFAD rules and procedures. The mission reviewed 17 payment orders on the loan and 10 payment orders on the grant and found these moderately satisfactory. The mission found that the supporting documents of the procurements are in place and in a good order, except for two contracts (Contractor Yasser Mohamed Ismail and external auditor Wael Heida). However, the templates used to monitor the activities on procurement are available on hard copy format. The MTR recommends the use of standardized templates to facilitate technical exchanges between PMU and IFAD and ensure the provision of proper supporting documentation and due process in securing IFAD approvals. **The procurement department's performance is rated as Moderately Satisfactory.**

70. **Internal Control.** The internal control system in place within the MALR and SFD conforms to the Government system. Both MALR and SFD guarantee the separation of the functions through several control mechanisms. The payments from project bank accounts are subject to a high level of 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 and reviewed by the internal auditor of the MALR. As required by law, a financial controller from the Ministry of Finance (MOF) certifies transactions before checks are issued. IFAD loan and grant payments are recorded manually into ledgers by the internal auditor and by the NPCU and also on the Excel sheet system. Most payments are made using checks, only small payments from IFAD funds are allowed to be done by cash on the basis of supporting documents. All transactions are further subject to monthly and quarterly ex-post review by a Government auditor from the Central Audit Organization (CAO). A MOF controller prepares the annual reconciliation of accounts based on CAO recommendations during its periodic reviews.

71. The Project has one designated account in USD opened at the Central Bank of Egypt and another bank account in EGP to pay eligible expenditure of the project. All payments are made using checks or bank transfers; no cash payments from IFAD loan and grant are allowed.

72. **Accounting.** The NPCU has an accounting software for the financial monitoring of the project, but it doesn't use it because the NPCU financial staff found some issues with the outputs of this system. All expenditures except revolving fund component, for IFAD loan and grant are recorded at the MALR level on two manual ledgers, the first one by the internal auditor and the second one by the accountant of the MALR. The transactions recorded into the manual ledgers don't allow the allocation of the disbursements by component, sub-component or category. The transactions are also recorded on Excel sheet by the NPCU on category disbursement basis only and not by component or sub-component. The Excel sheet system doesn't provide the commitments by category, component, sub-

component or by financing source. The use of Excel sheet could be justified for small projects with a fewer transactions, however for important projects as OFIDO with a high number of transactions, the use of Excel sheet becomes risky. The mission recommends hiring a software developer to finalize the accounting software development.

73. Payments made by SFD for the revolving fund component are recorded on a computerized financial system "Oracle". This system is installed at central and regional level and allows detailed information on the beneficiaries, projects, amounts, etc.

74. **Financial Reporting and Monitoring.** The NPCU produces its financial reports on Excel sheet. These reports include a statement of expenditures by component and by financier, a statement of expenditures by category and by financier, a statement of sources and uses of funds by financier and by component. However, the financial reports do not include a statement of commitments by financier, by category and by component. They don't include a statement of commitments (signed contract) by components, sub-components or financing source and payments by sub-components. Also, they don't include a statement of commitments by category. The mission recommends to utilize the MTR financial statements for the follow up of the project commitments and disbursement in the future.

75. SFD produces its financial reports using a computerized financial system "Oracle".

76. **Taxes and Duties:** On the basis of the SOE review, it appears that it is difficult in Egypt to calculate taxes exactly as it depends on many criteria and there is variation in government taxes, local taxes, etc. For example, the taxes paid on the same item will vary depending upon whether the invoice is a lump sum or net of taxes. The mission recommends that when the NPCU asks for reallocation it also fixes the financing percentage to 90% or 95% of the gross amount which will make it easier to record the contribution of the Government.

77. **Internal Audit.** At the NPCU level, there is an internal auditor who reviews and verifies every transaction against the corresponding documentation, per government requirements, before submission to MALR for payment.

78. **Fixed assets register.** The MALR is following the assets of the Ministry manually on a fixed assets register.

79. SFD has an internal audit unit at the central and regional level, and project related transactions are subject to regular reviews. The audit department has a well-established system for projects which ensures that procedures set in the operational manual are enforced and conducting internal audit. In addition, the internal audit sector has a check list for the audit of projects funded through the associations and another check list for the audit of small projects funded through intermediaries.

80. **Audit:** IFAD received the draft audit report of the Project for the fiscal year 2013/2014 on December 28, 2014, prepared and issued by a private audit firm. This report does not include a management letter on the internal control procedures. IFAD sent its comments on this report to the NPCU on January 7, 2015 and is still waiting the modified report including these comments and the management letter. The main comments of this report are as follows:

- Modify the presentation of the financial statements and present also the statement by component and by financier.
- Accounting policies: As the records are maintained in FGP, the financial statements could be presented in local currency. There do not appear any exchange differences deriving from the transaction of the bank balances at the year end.
- Provide more clarification and details to some notes to the financial statements.
- Include the contribution of the beneficiaries in the financial statements and whether funds are transferred to OFIDO or whether represent in kind-contributions.

81. This firm has audited the last three annual financial statement of the Project. The mission recommends to launch a competitive procurement procedure to hire an external auditor for the next

three years. **The mission's overall assessment is that the audit performance of the Project is Moderately Satisfactory.**

Agreed action	Responsibility	Agreed date
Hire a software developer to finalize the accounting software development.	NPCU	July, 2015
Submit withdrawal applications on time, at least within 6 months of the expenditure being incurred.	NPCU / SFD	Continuous
Justify 70% of the first advance on the grant based on the documents and ask for the second advance.	NPCU	March 2015
Request IFAD's retroactive 'no objection' on contracts signed directly with suppliers with no respect of competition procedures, supported by acceptable justifications.	NPCU	March 2015
Submit a proposal for reallocation between budget categories for IFAD loan and grant and to add a category for TA and consulting services in loan.	NPCU	March 2015
Fix the financing percentage on IFAD loan to 90% or 95% of the gross amount rather than 100% of the amount net of taxes.	IFAD	Immediate
Modify the Project audit report for the FY 2013/2014 to comply with the IFAD audit requirements and comments and send the management letter.	External auditor	March 2015
Utilize the MTR financial statements for the follow up of the Project commitments and disbursement in the future.	NPCU / SFD	March 2015
Evaluate the beneficiary contribution for the financing of the Project activities and show this figure in the Project reports.	NPCU	March 2015
Improve the filing of the financial and procurement documents of the Project.	NPCU	March 2015
Ask the suppliers to send their quotation in closed envelopes.	NPCU	On-Going
Reimburse the non-eligible expenses done on loan (salaries, taxes) and on grant (training paid 100% on grant instead of 28%).	NPCU	March 2015
Launch a procurement procedure to hire an external auditor for the next fiscal years.	NPCU	Immediate
Contract insurance to cover the damage risks of vehicles, motorcycles, equipment, furniture's of OFIDO	NPCU	March 2015
Finalize the procedures manual of SFD	SFD	December 2015
Procurement		
Agreed action	Responsibility	Agreed date
Identify bidding documents and the Contracts by a unique reference.	PMU/ Procurement Officer	On-going
The advance payment criteria in the standard bidding templates should be modified as defined in the PPL-89, as follows: "the advance payment is up to 25%" rather than "the advance payment is 25%". This should allow more entities to bid;	PMU/ Procurement Officer	February 2015
Contract have to be filled by computer software application, and no more by handwritings.	PMU/ Procurement Officer	March 2015
Use of monitoring tools at the MALR Procurement office and at PMU Procurement, including, contract monitoring, delivery status/work execution of works, payments' follow-up and tracking;	PMU/ OFIDO Procurement Officer/ MALR Procurement Officer	March 2015
Hire an external auditor for the next three years.	PMU	March 2015

82. **Forecasts of payments on IFAD loan and grant.** On the basis of the payments as of December 31, 2014, the commitments not paid and the forecasts of the activities that will be implemented until the closing date of the project based on the capacity of the MALR, the SFD and the beneficiaries, a statement of the forecasts of payments on the loan and on the grant was established (see Tables below). It appears from this statement that the total amount of the payments on the loan will be about USD41.2 million and the available amount will be USD5.8 million. It appears also from this statement that payments on categories 3 (National TA, consulting services) are USD0.353 million as of December 31, 2014 whereas no amount was allocated to this category on the loan. The available amount on the grant will be USD0.025 million.

Table 6: IFAD loan forecast as at 31-12-2014 (USD '000)

Category	Allocation (1)	Payments 31/12/2014	Commitment not yet paid	Forecast	Total (2)	Available (1) - (2)
1. Works	31344	3880	14160	12078	30118	1226
2. Means of transportation, equipment & materials	1064	802	0		802	262
3. National TA, consulting services	0	104	4	245	353	-353
5. Revolving fund	9892	964	334	8595	9893	0
6. Un-allocated	4700	0	0	0	0	4 700
Total	47000	5750	14498	20918	41166	5834

Table 7: IFAD grant forecast as at 31-12-2014 (USD '000)

Category	Allocation (1)	Payments 31/12/2014	Commitments not yet paid	Forecast	Total (2)	Available (1) - (2)
3. National TA, consulting services	48	59	4	35	98	-50
4. Training	952	59		818	877	75
Total	1 000	118	4	853	975	25

83. **Reallocation of the IFAD loan and grant by category.** A request for reallocation of the funds of the loan and the grant by category should be submitted by the borrower, namely the Ministry of International Cooperation to IFAD for approval. The Mid Term Review does not envisage any further changes in the project, apart from the below suggested reallocation and the changes in the financing percentage for training mentioned in **paragraph 37**. A proposal for the reallocation has been discussed between the mission and the NPCU and is presented in the tables below.

Table 8: IFAD loan reallocation (USD '000)

Category	Allocation (1)	Variation	New allocation
1. Works	31 344	3 256	34 600
2. Means of transportation, equipment & materials	1 064	391	1 455
3. National TA, consulting services	0	1 053	1 053
5. Revolving Fund	9 892	0	9 892
6. Un-allocated	4 700	-4 700	0
Total	47 000	0	47 000

Table 9: IFAD grant reallocation (USD '000)

Category	Allocation (1)	Variation	New allocation
3. National TA, consulting services	48	52	100
4. Training	952	-52	900
Total	1 000	0	1 000

F. Sustainability

84. **Institutional sustainability:** The sustainability of the Project investments hinge essentially upon the quality of irrigation and water investments and ensuring that the farmers are in agreement with the scheme specification and willing to assume the responsibility for the proper operation and maintenance of the system. The mission was impressed with the farmer's ability to operate and maintain some of the systems where they have been successfully implemented and are well functioning in Lower Egypt. The farmers in such case were seen to have developed a system of collection of fee on a seasonal basis for the payment of the electricity costs as well as some additional charges. However, the institutional sustainability depends upon the Project's ability to engage the water users from the outset and involve them in finalizing the technical specifications of the improved system. The mission was concerned that this process had not yet been initiated in Upper Egypt although the NPCU has developed a good approach to organize farmers in a bottom-up approach starting with the marwa level and continuing on to the mesqa and branch canal level. The MTR would like to recommend that this process should be initiated as soon as possible where it has not yet been started.

85. **Social sustainability (Empowerment):** The social sustainability of the modernization depends upon clear arrangements for water rotation and use among the different users in each Mesqa and Marwa and ensuring that the tail end users are given their share of water and that the efficiency gains and cost reduction in modernising the system are shared and passed on to all users. The MTR noted during several field visits the heated debates that arose as a result of farmer's dissatisfaction or confusion regarding some aspect of the schemes. The social sustainability would also entail putting in place a mechanism which can mediate any conflicts that arise among the users and between the users and MALR and MWRI. Several missions in the past have noted the absence of grievance redress mechanisms. The mission would like to recommend the putting in place of a system in which both the MALR and MWRI take responsibility for those aspects of the system which are within their domain. Similarly, the private contractors responsible for scheme implementation are being made accountable to the users for the initial period of scheme testing and trial by allowing for the appropriate defect liability period.

86. **Economic and financial sustainability:** The MTR mission was satisfied that there is a substantial cost reduction in switching from diesel pumps to electric pumps. The MTR mission gathered from the field that an engine of one horsepower utilises 0.764 kilowatt per hour which costs L.E. 0.17 pounds. An engine of 20 horsepower would irrigate one feddan in four hours and cost L.E. 13.6 pounds on average ($20 \times 0.17 \times 4$). The cost of using a diesel pump was estimated to be L.E. 48 per feddan assuming that it takes 30 litres to irrigate one feddan at an average market price of L.E. 1.65 per litre (30×1.65). The GOE is planning to increase the cost of electricity to L.E. 0.22 at the start of the next financial year. This increase will mean a pumping cost of L.E. 17.6 per feddan. This stills entails a cost reduction of more than 1/3rd. The new investments are thus financially highly feasible for the farmer. The water savings, increased efficiency in its use, the reduction of labour costs and the availability of additional land due to shifting surface level marwas underground makes the investment highly feasible economically as well. As far as the rural finance and the promotion of MSEs is concerned, SFD is providing the financial services in a manner which ensures the financial sustainability of the lending intermediaries and of the end users in terms of guiding the preparation of feasibility of the individual enterprises.

Table 10: The cost comparison of Diesel and Electric Pumps

Type	Fuel for one feddan	Unit cost of energy (L.E)		Unit cost of Irrigating one Feddan (L.E)
Diesel Pump	30 litres	1.62		48.6
	Kilowatts per one horsepower	Unit cost of energy per kw (L.E)	Irrigation time (hrs)	Unit cost of Irrigating one Feddan (L.E)
Electric Pump (20 horsepower)	0.764 hours	0.17	4	13.6

87. **Technical sustainability:** The NPCU, with financing from several donors has been experimenting with different technical specifications and implementation modalities over the last few years. OFIDO has built on the experience of earlier investments and contributed to refining a technical and implementation approach which it believes is highly sustainable. The Project will utilise a proven system for the modernization of the system with the use of high quality pipes and hydrants which have been improved upon in the last few years. The MTR believes that the approach of manufacturing the required hydrants in government run workshops is not sustainable and will eventually add to the overall cost of production especially if the Government cost of running these workshops is factored into the analysis. Similarly, the MTR believes that the approach to buy heavy equipment to rent to the private sector should not be used under OFIDO and that a more sustainable approach is to encourage the growth and development of the private sector to provide these services. The MTR believes that the best way forward is to contract private sector contractors through a competitive bidding process and use of high quality materials and equipment sourced from the private sector. The MTR met with a large number of private sector contractors and is confident about the availability of private contracting capacity in the country including in Upper Egypt.

88. **Environmental sustainability:** The Project is expected to have a direct focus on the environment as a result of installing under-ground pipes which are expected to reduce the water losses due to greater efficiency in the use of water and reduce the losses due to evaporation and seepage in open channels especially in the summer months when there is acute shortage of water for irrigation. There is also expected to be an improvement in the environment as water channels are currently used for disposal of garbage and other solid waste which are a source of pollution and spread of disease.

89. **Exit strategy:** There is a built in exit strategy into each component of the Project. The assumption of the operation and maintenance responsibilities of the system by the users provides a good exit strategy to the Government to let the users manage the system. Experience with the WUA's in Lower Egypt gives confidence that they will be able to operate and maintain the system provided it is well functioning and meets their needs. However, the MWRI will continue to be responsible for the branch canal and upstream level system for operation and maintenance. In the second component, the provision of good training which builds strong farmer capacity to adopt improved crop and livestock production systems provides a natural exit for this component. It is expected that in the provision of marketing and financial services, the Project will help to forge linkages between the private sector traders and individual farmers as well as between local financial service providers such as CDAs/NGOs and between entrepreneurs and SFD directly. These linkages should continue beyond the Project life if they help to serve the interests of the farmers.

G. Impact

90. The MTR met with farmers from some of the improved marwas and found that where the technical specifications and the quality of civil works is good, there the farmers are benefitting because of the much lower cost of using electricity compared to diesel, the convenience, time and labour saving through use of an electric pump. There is greater efficiency in the use of water and equity in the system has been enhanced as a result of the supply to the tail reaches of the command area. Additionally, land has been gained due to the shifting of the marwas underground. Benefits from the irrigation investment have not yet been realised in Upper Egypt where work has only recently been initiated.

91. There has been little recording of the impact on food security and increase in incomes as a result of the water investments. There does not seem to be a change in cropping pattern or cropping intensity which is evident at this stage. However, farmers in the tail reaches whose supply of water was uncertain are likely to gain much more from the investment. There are clearly savings in the cost of pumping water but the extent to which these are passed on to the farmers is still uncertain and depend very much on the strength of the water users and the transparency and accountability within these institutions. The fact that farmers are poor with a high marginal propensity to spend on food consumption means that the savings are likely to be diverted towards increased food intake. The MTR estimated that these savings were in the range of L.E 600 to L.E. 2000 per household depending on land ownership.

92. There is no clear impact which has emerged from the training programme. The participation of farmers in market associations or committees has enabled some of them to change their cropping pattern and introduce non-traditional crops such as soya bean. Some also report initiating contracts with factories processing sugar beet. However, the Project contribution is likely to be minimal in this given that these are areas which have been growing sugar beet for several years and supplying to the factory owners on their own. Thus it is difficult to verify the claim reported by the Project in this regard.

93. The small enterprise loans are being used for dairy processing, trade in fertilizers and seeds, sorting and packaging of rice and other agricultural products. The impact of the provision of rural financial services has not yet been systematically recorded either in terms of its income or employment impact. However there are unverified reports that the loans provided have helped in creating and maintaining 1,306 jobs (1,210 permanent and 96 temporary).

94. **Policy impact.** The Project has begun to raise some critical policy issues with respect to the approach for the development and modernization of the irrigation infrastructure in the old lands. These issues revolve around the institutional infrastructure of the irrigation sector, the ideal balance between the role of the public and private sector in irrigation development, the roles and responsibilities of the water user associations, the technical specifications which will ensure technical and economic feasibility of the irrigation system and the best approach to adopt in the modernization of the system. OFIDO is already helping to answer some of these critical issues which can influence policy in the modernization of the irrigation sector in the country. IFAD funded OFIDO has laid the groundwork for enabling the Government to achieve its objective of modernization of the irrigation sector in the mega 5 million feddan programme. The Project is trying to demonstrate a cost-effective and sustainable approach through use of private contracting.

H. Conclusion

95. The main conclusion of the MTR mission is that the Project can achieve the overall objectives of developing a model for modernizing the irrigation system, realising efficiency gains in terms of energy cost and saving water which can be passed on to the farmers in terms of reduced costs as well as bring equity in the system by making water available to the tail end users. The mission is also confident that despite the delay in organizing water user associations the beneficiaries have demonstrated that they can organize around well-functioning systems and agree on management arrangements which can ensure the proper operation and maintenance of the system. However, the mission feels that the quality of the civil works needs to be improved and there is need for strong supervision in the proper implementation of the irrigation system with appropriate technical specifications if any sustainable benefits are to be realised.

96. There is urgent need to ensure the organization and strengthening of the water associations and ensuring their participation in all stages of design, implementation and operation and maintenance as envisaged in design. There is also need for the MWRI and MALR to institute a proper system of redress for farmer complaints, better explanation of the responsibility of each partner in the field, preparation of guidelines for pump operation and maintenance, proper planning and implementation of the training activities for farmers, inclusion of different training modalities, strengthening market facilitation support and strong commitment by the Social Fund for Development to serve the Project Governorates in order for the Project to achieve its overall objectives. With improved coordination between the MWRI and MALR the mission is confident that OFIDO can achieve its objective. More importantly, the IFAD funded OFIDO is trying to lay the groundwork for enabling the Government to achieve its objective of modernization of the on-farm irrigation system in the mega 5 million feddan programme of the Government. The Project is trying to put in place a scalable model through use of private contracting, organizing a participatory farmer managed system and the use of financial resources of the Government. This model is critical for the farmers on the old-lands.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Egypt		Project ID	1447	Loan/DSF Grant No.	801
Project	On-farm Irrigation Development Project in Old lands				Top-up Loan/DSF Grant	801
Date of Update	27-January 2015					
Supervising Inst.	IFAD/IFAD					
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	5			
Last Supervision	15-Jul-2013	Last Implementation Support/Follow-up mission	January 2015			

					USD million	Disb. rate %
Approval	17-Dec-2009			Total financing	72.15	
Agreement	16-Feb-2010	Effectiveness lag	2.0	IFAD Total	48.00	
Entry into force	16-Feb-2010	PAR value	-----	IFAD loan	47.00	15.2%
First disbursement	21-Mar-2011			DSF grant		
MTR	27-Jan-2015	Last amendment		IFAD grant	1.00	11.8%
Original completion	31-Mar-2018	Last audit	23-Jan-2013	Domestic Total	24.15	
Current completion	31-Mar-2018			Beneficiaries	8.81	5.8%
Original closing	30-Sep-2018			Government (National)	15.34	68.9%
Current closing	30-Sep-2018					
No. of extensions	0					

Project Performance Ratings

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

B.5 Justification of ratings

While the overall project disbursement of the IFAD loan and grant resources is far below target, the project has undertaken most of the preparatory work and contracted out most of the civil works for the irrigation and water management component. It is expected that the project will now move ahead fairly rapidly over the next year. The project has a good financial management system in place but there is a need to clearly delineate the areas being financed by the increasing number of donors operating in the irrigation sector. The practice of Force Account has been discontinued for IFAD financed investments and all civil works

are being completed through competitive tender through the private sector. While the Government has consistently provided more than its expected share, its funding for some specific expenditure categories such as extension training and research has not been sufficient to meet the targets. The project management has a strong Steering Committee at the national and governorate levels but there is need for greater collaboration among the various implementing partners. The Project has recently strengthened its M&E system which provides both output and outcome data from the field and is now able to support the preparation process of the AWPB and the Progress Report. The project is strong in targeting the small farmer generally but needs to strengthen its inclusion of women. While the project has many lessons to share because of its experimentation with different implementation modalities and technical options, it has not documented these as well as it could for disseminating and sharing its lessons.

In terms of its achievements, the irrigation and water management component is set to show good progress with 4,460 feddan of the Marwa level work in lower Egypt having been completed and another 1000 feddan have been recently tendered. Works in Upper Egypt have been slow to start but have also been contracted out and expected to be initiated shortly. The agriculture competitiveness enhancement component has shown slow progress mainly due to administrative changes with the implementing partners and due to the fact that Government is expected to contribute a large part of the costs from its own funds and has been slow to provide this contribution for this component. The rural enterprise and microfinance component was slow to start but with the expansion of its scope to cover the entire target governorates, this component is expected to fully disburse by the end of the project period.

The project has put in place mechanism which are expected to make the investments under OFIDO sustainable. The project has devised a bottom-up approach for organizing water users and while it has been slow to organize farmers in Upper Egypt, its experience in Lower Egypt shows that it has a good methodology to organise farmers at the Marwa, Mesqa and Branch canal level. The experience with the WUA's in Lower Egypt gives confidence that the WUAs will be able to operate and maintain the system provided it is a system which functions well to meet their needs. The assumption of the operation and maintenance responsibilities of the system provides a good exit strategy to the project. The project can provide important lessons for scaling up and replication of the Government of Egypt's plans for modernizing the irrigation system on the old lands.

Overall Assessment and Risk Profile

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

Rationale for implementation progress rating

The project has only picked up its pace of implementation progress in the last six months or so after changes in the NPCU. A preliminary assessment of impact was made for activities that have been initiated on the ground and some impact from the irrigation investments is beginning to emerge in Lower Egypt where the project has concentrated its investments at the Marwa level building on the investments of earlier projects at the Mesqa and Branch canal level. After the shift from diesel pumps to electric pumps and the installation of underground pipes to convey the water to the irrigated land, there is decrease in the cost of energy for pumping, saving of water, labour and conveyance of the water to the tail reaches. There is also an improvement in the environment due to the covering of the water channels as previously these were also being used for disposal of wastes. Additional land also becomes available for cultivation due to the covering of the channels. The impact of the agriculture competitiveness enhancement component is difficult to assess. However, the market facilitation has resulted in improving the farmer's ability to market their produce in some areas. The progress in the provision of loans has been slow and only now beginning to catch up. However, the loans are generally being used for purchase of livestock and initiating small enterprise at the village level.

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

The project is in its fourth year of implementation and so far the progress has been slow due to political and administrative reasons which led to delayed implementation and experimentation with different technical and other implementation modalities. However, the project has picked up pace with the rapid progress in bidding all major civil works and improvement in the system. As such the project can achieve its development objective if it works at the promised pace and begins to organize farmers, exercise greater control over the supervision and quality of the civil works and makes a concerted attempt to achieve its extension training targets and introduces training methodologies which have proved more effective in ensuring high adoption rates such as farmer field schools. Certain changes recommended by the MTR are expected to enhance the use of the training budget. The issue of lack of clarity of the scope of operation of the Social Fund for Development has been clarified and the Fund is poised to disburse the credit funds at its disposal.

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

Fiduciary aspects	The project was using a mix of procurement methods including force account which was not in keeping with IFAD guidelines. This practise has now been stopped and all IFAD procurement is being made based on competitive bidding and use of private contractors. The PMU needs to facilitate the No Objection from IFAD by providing proper supporting documents without which decisions are difficult to make.
Project implementation progress	The project has to work at a very fast pace in the remaining project period to ensure the completion of all targets that it has undertaken to achieve. However, the project must put in place mechanisms for quick decision making and resolving the issues between the major stakeholders through a specific steering mechanism for the project. While a PSC and a technical committee exist these need to be more actively used to resolve problems as they emerge.

Outputs and outcomes	<p>There is need for proper collaboration between the MALR and MWRI to ensure that all irrigation investments are properly designed, supervised and constructed with the use of the highest quality of materials. Without this collaboration there is likely to be weaknesses in the quality of design and construction quality that can comprise the utility and sustainability of the investments. The project has now ironed out the strategy to be used for implementation and the technical aspects of the irrigation system and as such there should be rapid progress.</p> <p>The MALR has to put much greater energy and effort in the implementation of the component 2 with a strong overall plan for extension training using different training modalities and use of service providers who can build the capacity of extension training staff and local resource persons in improving the ability of men and women farmers to improve their agriculture productivity.</p> <p>SFD has to show strong commitment to the implementation of component 3 through a concerted attempt to identify and strengthen CDAs and individual entrepreneurs in the project area for the provision of financial services.</p>
Sustainability	<p>The sustainability of the project investments hinge upon the quality of irrigation investments and ensuring that the farmers are in agreement with the scheme specification and willing to assume the responsibility for the proper operation and maintenance of the system.</p>

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

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

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions/Risks
<p>Outputs 1_1: 225 mesqa canal and 6 branch canal WUOs established. 1_2: 1000 cooperation marwa committees (lower Egypt) established.</p>	<ul style="list-style-type: none"> • People in groups managing infrastructure; by gender • People in groups managing natural resources; by gender • Land under irrigation schemes constructed or rehabilitated; • Land under improved management practices; • People trained in infrastructure management; • People trained in natural resources management. 	<ul style="list-style-type: none"> • Records of the Agricultural Directorate at the Governorate level. • Project reports 	
<p>2_1: 104 MAs formed and successfully linked with traders and exporters. 2_2: 70 MAs related rural women activities formed</p>	<ul style="list-style-type: none"> • Number of on-farm research carried out on high value crops/products, livestock and water use; • Staff of service providers trained; • People trained in crop & livestock production practices and Technologies; People trained in livestock production practices and technologies; Groups formed with women in leadership position. 	<ul style="list-style-type: none"> • Records of the Agricultural Directorate at the Governorate level. • Project reports 	
<p>3_1: At least 14,068 micro-entrepreneurs. 3_2: 48 MSEs benefit from short and medium/long term investment loans.</p>	<ul style="list-style-type: none"> • Value of gross loan portfolio; • Financial institutions participating in the project; • Active borrowers (individuals) ; • Active borrowers (enterprises); • Value of gross loan portfolio (individuals); • Value of gross loan portfolio (enterprises). • People trained in business/entrepreneurship; • Staff of financial institutions trained. 	<ul style="list-style-type: none"> • Participating MFI(s), Banks Reports. • Project reports 	

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

Agreed action	Responsibility	Agreed date
Cooperation between IIS of MWRI and NPCU: The protocol between the NPCU and the Irrigation Improvement Sector (IIS) of MWRI needs to be revised and updated including specific provision for compensating the MWRI staff working on the Project.	NPCU/PSC/IIS	March 2015
Sub-Branch canal improvement: Carry out in Upper Egypt a general ground survey of the current status and level of degradation of the about 22 Sub-Branch Canals that would supply water to the Project pumping station and prepare a budget for maintenance and repair	GPCUs of Qena, Sohag and Assiut / Irrigation District Engineers	August 2015
Detail design drawings for marwas/ In Upper Egypt, elaborate for each pump-station command area, a specific detailed drawing at scale 1:500 representing the design of the on-farm water distribution system including valve and hydrant location as well as drawings of the pumping station. To identify marwa locations; length and hydrant positions to produce dimensioned sketches for all marwas fed from each pumping station	NPCU and GPCUs of Qena, Sohag and Assiut	August 2015
Update signed agreements with farmers: Conduct new awareness and consultation meetings with all users especially tail end users in each Mesqa/Magrour in order to update and consolidate the agreements that have been signed confirming their commitment to Project interventions.	GPCUs of Qena, Sohag and Assiut / CDIAS	December 2015
Modalities and conditions for handing over pumping stations. Specify and clarify conditions under which water users would take over operation and maintenance after works completion at the <i>interface</i> between off-farm and on-farm irrigation systems prior to the completion of works	NPCU/PSC/IIS of MWRI	End of March 2015
Water Users Organizations: Elaborate a specific protocol with CDIAS for the formalization and training of WUAs in Upper Egypt.	NPCU-GPCUs of Qena, Sohag and Assiut / CDIAS	April 2015
Construction works supervision and quality control. Recruit through NCB a consulting firm to provide assistance in construction works control and supervision in Sohag, Qena and Assiut–	NPCU	March 2015
Transfer of know how: Organize a visit for selected leaders of Water User Organizations from Lower Egypt to conduct session meetings with water users in Upper Egypt	NPCU	On-Going

Accelerated Capacity Development Plan

Agreed action	Responsibility	Agreed date
Organise two training events on Supervision of Civil Works and Contract Management in Upper Egypt for governorate level staff of MWRI and MALR.	NPCU in coordination with GPCUs and IIS	By the end of April 2015
Organise one training on Service Oriented Management for managers and engineers of selected irrigation schemes where the Project is active.	NPCU in coordination with IIS	By the end of June 2015
Organise a Training of Trainers on strengthening WUAs for relevant staff of the MALR, MWRI and the Extension Service	NPCU/GPCU in coordination with ISS, CDIAS and the Extension Service	By the end of June 2015

Component 2: Agriculture Competitiveness Enhancement

Agreed action	Responsibility	Agreed date
Research Agenda: The research agencies involved with the Project should develop a realistic research agenda based on demands of farmers and also develop a plan for dissemination of the research findings.	NPCU for overall coordination and GPU and GDA at the governorate level.	March 2015 and thereafter on an on-going basis during the AWPB.
Training Plan: Develop a realistic four year training plan with realistic targets based on current experience and ensure the inclusion of both men and women in the crop and livestock trainings.	Director General Agriculture Extension with inputs from governorate Directorate of Agriculture Extension	March 2015 and thereafter on an annual basis during the AWPB
Training Methodologies: Introduce the Farmer field school methodology for training of men and women farmers in crop and livestock husbandry through contracting specialist expertise.	Director General Agriculture Extension with inputs from governorate Directorate of Agriculture Extension	On-going
Strengthening Marketing Support: The Project can strengthen the marketing expertise available through coordinating with UERDP and the on-going PRIME and recently initiated SAIL Projects.	Marketing Specialist to coordinate with FAD-financed UERDP and PRIME and SAIL when they initiate operations as all of them have marketing expertise budgeted.	On-going
Counterpart Funds: Change the financing percentage for training to be paid at the rate of 100% from the grant starting the date on which IFAD approves this change with <u>no retroactive effect</u> which would mean that only future training could be supported from these funds.	IFAD	March 2015

Component 3: Rural Enterprise and Microfinance Development

Agreed action	Responsibility	Agreed date
Pursue a concentrated effort for targeting CDAs in the targeted governorates	SFD/MFCS	Ongoing
Follow-up internally within the SFD to allow extending the tenure of loans to CDAs from three to five years to allow CDAs to capitalize its loan portfolio	SFD/MFCS/IFAD	January 2015
SFD should review the requirement of the cooperative members being required to furnish guarantees on behalf of their members for on-lending to them and limit their personal liability.	SFD	March 2015
Assist CDAs in obtaining the required approvals from the Egyptian Financial Supervision Authority (EFSA) to engage in micro-lending in conformity with the new Microfinance Law	SFD/MFCS	Ongoing
Follow-on with the efforts of identifying new Cooperatives to receive funding for on-lending to its members with small enterprises	SFD/SEDO	Ongoing

Programme Management

Agreed action	Responsibility	Agreed date
Ensure that NPCU is structured and staffed with key personnel as per the Project document, including clear ToR and responsibilities for all staff members. The structure and staffing should be endorsed by PSC and communicated with IFAD.	NPCU	April 30, 2015
Ensure Project Steering Committee provides specific time to OFIDO on a quarterly basis to discuss IFAD specific issues on a quarterly basis.	NPCU	On-going
In order to encourage greater collaboration between the MALR and MWRI, negotiate a revised MOU between the two in which the compensation of the staff of the MWRI staff for functions of design, supervision and training should be determined in keeping with Government rules and in order to attract qualified people to the Project. The payments should be paid on the basis of daily rates based on performance and monthly reports. This matter will be discussed between the two Ministries and conveyed to IFAD for its no objection after requisite approval by the PSC.	PSC/NPCU/MALR/MWRI	March 2015

Monitoring and Evaluation

Agreed action	Responsibility	Agreed date
Improve the quality of the reporting by use of analytical and summary tables.	NPCU/M&E Officer	Next quarterly and annual report.
Build the capacity of the M&E officers at the governorates level through targeted trainings.	NPCU/M&E Officer	On going
Create an electronic/web-based link between the central NPCU and the local ones at the governorates level.	NPCU/M&E Officer	June 31 2015
As it is planned in the AWPB organize the following assessments: the impact of the newly developed on farm irrigation system and the level of farmer's adoption/satisfaction in lower Egypt, and; the investment/capacity building needs of the rural women in the Project area.	NPCU/M&E Officer	June 31 2015

Fiduciary Aspects

Agreed action	Responsibility	Agreed date
Hire a software developer to finalize the accounting software development.	NPCU	July, 2015
Submit withdrawal applications on time, at least within 6 months of the expenditure being incurred.	NPCU / SFD	Continuous
Justify 70% of the first advance on the grant based on the documents and ask for the second advance.	NPCU	March 2015
Request IFAD's retroactive 'no objection' on contracts signed directly with suppliers with no respect of competition procedures, supported by acceptable justifications.	NPCU	March 2015
Submit a proposal for reallocation between budget categories for IFAD loan and grant and to add a category for TA and consulting services in loan.	NPCU	March 2015
Modify the Project audit report for the FY 2013/2014 to comply with the IFAD audit requirements and comments and send the management letter.	External auditor	March 2015
Utilize the MTR financial statements for the follow up of the Project commitments and disbursement in the future.	NPCU / SFD	March 2015
Evaluate the beneficiary contribution for the financing of the Project activities and show this figure in the Project reports.	NPCU	March 2015
Improve the filing of the financial and procurement documents of the Project.	NPCU	March 2015
Ask the suppliers to send their quotation in closed envelopes.	NPCU	On-Going
Reimburse the non-eligible expenses done on loan (salaries, taxes) and on grant (training paid 100% on grant instead of 28%).	NPCU	March 2015
Contract insurance to cover the damage risks of vehicles, motorcycles, equipment, furniture's of OFIDO	NPCU	March 2015
Finalize the procedures manual of SFD	SFD	December 2015

Procurement

Agreed action	Responsibility	Agreed date
Identify bidding documents and the Contracts by a unique reference.	PMU/ Procurement Officer	On-going
The advance payment criteria in the standard bidding templates should be modified as defined in the PPL-89, as follows: "the advance payment is up to 25%" rather than "the advance payment is 25%". This should allow more entities to bid;	PMU/ Procurement Officer	February 2015
Contract has to be filled by computer software application, and no more by handwritings.	PMU/ Procurement Officer	March 2015
Use of monitoring tools at the MALR Procurement office and at PMU Procurement, including, contract monitoring, delivery status/work execution of works, payments' follow-up and tracking;	PMU/ OFIDO Procurement Officer/ MALR Procurement Officer	March 2015
Hire an external auditor for the next three years.	PMU	March 2015

Summary of Action on Previous Mission's Recommendations

Recommendation	Responsibility	Agreed Date	Status of execution
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 feddans (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 contracting, 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	Not done: However the Coordination Unit discussed extensively the issues highlighted by the recommendation with the MTR mission
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	This recommendation proved to be difficult to implement. The transition from rotational flow towards continuous flow has not been introduced in the BCWUAs of the project area. The experience tried in Lower Egypt does not seem to have been successful according to farmers and field technician's opinion.

Recommendation	Responsibility	Agreed Date	Status of execution
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, magrou 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 feddans (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	Not done
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.	A Technical Committee for overall supervision has been established within the PMU. At field level supervision and inspection is conducted by Engineers from AENRI and District Engineers of MWRI
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	Force account procurement model has been totally abandoned
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.	Done particularly for Sohag Command area
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.	Not proved to be appropriate since BCWUAs are under the responsibility of the MWRI.
Rural Finance and Enterprise Development			
Diversify the microfinance portfolio to improve prospects for growth and sustainability of the activities financed.	SFD, CDAs	Ongoing basis	This has been initiated and additional CDAs. NGO and agriculture Cooperatives have been identified for financing.
Adopt a broad view of the eligible geographical locations of microfinance and enterprise financing operations	MALR; SFD	Immediate effect	The geographic locations have been clarified and SFD has expanded its scope to all project governorates.

Recommendation	Responsibility	Agreed Date	Status of execution
Continue efforts to initiate enterprise lending operations (through PBDAC, other banks and/or direct lending), or eventually shift enterprise lending funds to microfinance operations following the MTR mission.	SEDO	Om-Going basis	While discussions with PBDAC continue there is nothing conclusive that has emerged. However, the MTR has estimated that the allocated funds will be used by the end of the project and in any case shifting between the two categories should be allowed.
Project Management			
All partners have agreed that any proposed changes to project activities and/or implementation arrangements must be handled on the basis of recognized procedures, subject to PSC approval and IFAD clearance in advance.	NPCU	On-Going basis	There are mechanisms within the PMU to undertake this coordination.
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	The PMU has a project coordinator for IFAD. It also shared with Government staff the responsibility for project implementation.
Establish GPCUs with standardized staff structures, in line with the existing PIM.	NPCU	September 2013	All the GPCUs were functional.
Develop standardized formats for AWPBs and progress reporting, consistent with the emerging M&E system.	NPCU	September 2013/14	The quality of the AWPB has been improved but needs further refinement.
Improve the quality of the 2013/14 AWPB.			
Financial Management			
Contract an experienced FM specialist to develop financial manuals, train staff, work with accounting software provider, and ensure system customization. Recruit an IT specialist to manage and secure data. NPCU	NPCU	August 2013	Not done
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	Immediate	Partially done

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

Indicators	Unit	Appraisal	Cumulative	%
<i>Outreach</i>				
Communities receiving project services	Number	180	106	58.9
Groups receiving project services (Irrigation-related only)	Number	1 315	587	44.6
Groups receiving project services (Rural finance-related only)	Number	373	91	24.4
Households receiving project services	Number	39 570	3 776	9.5
Individuals receiving project services(men/women)	Number	197 850	48 948	24.7
Component 1: Irrigation and Water Management				
Groups managing infrastructure formed/strengthened	Number	1 295	586	45.3
People in groups managing infrastructure formed/strengthened	Number	39 570	8 144	20.6
People in groups managing infrastructure formed/strengthened	Male	35 570	7 544	21.2
People in groups managing infrastructure formed/strengthened	Female	4 000	600	15.0
People trained in infrastructure management	Number	8 000	2 499	31.2
People trained in infrastructure management	Male	7 200	2 371	32.9
People trained in infrastructure management	Female	800	128	16.0
Natural resources management groups formed/strengthened	Number	20	1	5.0
People in natural resources management groups formed/strengthened	Number	20 000	3 450	17.3
People in natural resources management groups formed/strengthened	Male	18 000	3 243	18.0
People in natural resources management groups formed/strengthened	Female	2 000	207	10.4
People trained in natural resources management	Number	5 000	706	14.1
People trained in natural resources management	Male	4 500	700	15.6
People trained in natural resources management	Female	500	6	1.2
Land under irrigation schemes constructed/rehabilitated Lower Egypt	Feddan	12,000	4,600	38
Land under irrigation schemes constructed/rehabilitated Upper Egypt	Feddan	13,500	0	0
Staff of service providers trained	Number	500	406	81.2
Staff of service providers trained	Male	400	328	82.0
Staff of service providers trained	Female	100	78	78.0

Component 2: Agriculture Competitiveness Enhancement

Staff of service providers trained	Number	500	145	29.0
Staff of service providers trained	Female	100	74	74.0
Staff of service providers trained	Male	400	71	17.8
People trained in crop production practices and technologies	Number	8 000	551	6.9
People trained in crop production practices and technologies	Male	7 200	511	7.1
People trained in crop production practices and technologies	Female	800	0	0.0
People trained in livestock production practices and technologies	Number	10 000	1 855	18.6
People trained in livestock production practices and technologies	Male	5 000	0	0.0
People trained in livestock production practices and technologies	Female	5 000	1 855	37.1
People trained in post-production, processing and marketing	Number	8 000	1 157	14.5
People trained in post-production, processing and marketing	Male	7 200	1 144	15.9
People trained in post-production, processing and marketing	Female	800	13	1.6

Component 3: Rural Enterprise and Micro Finance Development

Micro & Small enterprises

Value of gross loan portfolio (SEDO/MSEs)	USD	7 338 479	298 492	4.1
Enterprises accessing financial services facilitated by the project	Number	1 012	10	1.0
Enterprises accessing non-financial services facilitated by the project	Number	0	0	0
Active borrowers	Number	0	0	0
Active borrowers(men)	Male	0	0	0
Active borrowers	Female	0	0	0
People trained in business/entrepreneurship	Number	13 950	529	3.8
People trained in business/entrepreneurship	Male	11 160	349	3.1
People trained in business/entrepreneurship	Female	2 790	180	6.5

Credit

Value of gross loan portfolio (Microfinance) - CDAs/NGOs	USD	3 636 521	943 380	25.9
Active borrowers	Number	0	1 278	
Active borrowers	Male	0	703	
Active borrowers	Female	0	575	
Financial institutions participating in project	Number	46	4	

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

Staff of financial institutions trained	Number	112	0	0.0
Staff of financial institutions trained	Male	90	0	0.0
Staff of financial institutions trained	Female	22	0	0.0

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

Table 5A: Financial performance by financier (31-12-2014)⁵

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Balance	Per cent disbursed
IFAD loan	47,000	7,155	39,845	15.2%
IFAD grant	1,000	118	882	11.8%
Government	15,343	10,576	4,767	68.9%
Beneficiaries	8,814	512	8,302	5.8%
Total	72,157	18,361	53,796	25.4%

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

Component										Total					
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%			
A. Irrigation and water management	35,030	3,984	11%	82	0	0%	6,577	3,173	48%	8,814	512	6%	50,503	7,669	15%
Rehabilitation & Dev of on-farm irrigation system	34,840	3,944	11%	0	0	0%	5,494	2,634	48%	8,814	512	6%	49,148	7,090	14%
Institutional development & capacity building	190	40	21%	82	0	0%	1,083	539	50%				1,355	579	43%
B. Agriculture competitiveness enhancement	0	0		598	118	20%	3,673	419	11%	0	0		4,271	537	13%
Extension and research	0	0		536	106	20%	3,112	419	13%				3,648	525	14%
Marketing associations	0	0		62	12	19%	561	0	0%				623	12	2%
C. Rural enterprise & micro finance development	10,975	964	9%	320	0	0%	63	0	0%	0	0		11,358	964	8%
Rural finance	10,975	964	9%	0	0	0%		0	0%				10,975	964	9%
Strengthening financial intermediaries	0	0		320	0	0%	63	0	0%				383	0	0%
D. Project coordination units	995	802	81%	0	0		5,030	6,984	139%	0	0		6,025	7,786	129%
Central project coordination unit	326	265	81%	0	0		1,493	6,984	468%				1,819	7,249	399%
Governorate project coordination unit	669	537	80%	0	0		3,537	0	0%				4,206	537	13%
Total	47,000	5,750	12%	1,000	118	12%	15,343	10,576	69%	8,814	512	6%	72,157	16,956	23%

⁵ Exchange rate SDR / USD 1.587838

Table 5C: IFAD loan disbursement as at 31-12-2014 (SDR '000)

Category description	Allocation (1)	Disbursement (2)	Balance (1) - (2)	% disbursement (2) / (1)
Initial deposit SFD	0	980	-980	100%
Initial deposit NPCU		944	-944	100%
1. Works	19,740	2,211	17,529	11%
2. Means of transportation, equipment & materials	670	532	138	79%
5. Revolving fund	6,230		6,230	0%
6. Unallocated	2,960		2,960	0%
Total	29,600	4,667	24,933	15.8%

Appendix 6: Compliance with legal 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.	As soon as possible	Complied with	
	A consolidated Annual Work Plans and Budgets for the loan and grant, with procurement plan, to be submitted for its review and comments.	No later than 60 days before beginning of each Fiscal Year	Partial Compliance	The NPCU submitted an AWPB for the FY 2014/2015, but it did not submit a procurement plan on time
Section B. Para 7	The Borrower shall make adequate budgetary allocations for the Project in accordance with AWP&B.	Annually	Complied with	The Government has maintained its trend of contributing timely and generously to support project operations.
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, Para 9	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	January 2015	In progress

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
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	Partial Compliance	Revision and update of the PIM is not done.
	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 2.		Complied with	
	Progress Reports to be submitted to IFAD on annual basis.	No later than 2 months after the end of each year	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	Partial compliance	Basic progress report
	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	Draft of the audit report for the fiscal year 2014/2015 received on December 28, 2014. IFAD is still waiting for the final report taking account of its comments and also the management letter

Appendix 7: Knowledge management: Learning and Innovation

Learning

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

While it is too early to draw all the lessons from the experience so far, some lessons are already beginning to emerge. The PMU tried to reduce the unit cost of the equipment and materials being used by trying to create workshops which produced the pipes and hydrants in Government workshops and then use the force account to get contractors to use this equipment and materials. It has been decided that due to concerns regarding the quality of the pipes and other materials produced in the government workshops, that OFIDO would not use Government workshops to manufacture the materials but use the private contractors to procure them from the private sector for construction under the project. However, an important lesson from this experimentation shows that the PMU has wasted a lot of time as a result and should not have tried to reinvent the wheel. The PMU also experimented with trying to train small contractors and engage them in the project where it felt the private sector was weak. However, the Project has demonstrated that there was no need for the PMU to do this as there is sufficient private capacity in the country. Under the Project, it has been decided to invite the existing contractors rather than trying to train new ones for construction of the civil works. Therefore, for the first time, the MALR has recruited middle tier and small contractors to implement the improvements in the irrigation system. This is likely to reduce the overall costs of improvement and help develop a range of local contractors and service providers in the target Governorates. The Project is also trying to re-establish water user associations at various levels. While the establishment of such associations has been tried before, the process has been somewhat top down. The project plans to establish water committees at the Marwa level and embed them in the cooperative structures at the village level and then, build them as representative models at the mesqa and branch canal level with MWRI support.

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

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

Innovation: Describe any interesting innovation noted during supervision

The main consideration of GOE and IFAD in the design of OFIDO is the replication and scaling-up over 5 million feddans in the Oldland of proven new models of on-farm irrigation improvement for poverty reduction and higher water use efficiency. OFIDO in its entirety is therefore a knowledge creating project and a spearhead for a much larger national project financed by GOE and other donors.

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

5 million feddan programme. The Project is trying to demonstrate a cost-effective and sustainable approach through use of private contracting.

More importantly, the IFAD funded OFIDO is trying to lay the groundwork for enabling the Government to achieve its objective of modernization of the on-farm irrigation system in the mega 5 million feddan programme of the Government. The Project is trying to put in place a scalable model through use of private contracting, organizing a participatory farmer managed system and the use of financial resources of the Government. This model is critical for the farmers on the old-lands

Appendix 8: Audit Log

1. Summary Audit Table

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value	Numbers	Value	Numbers	Value
2011-12	4	-	3	-	1	-
2012-13	0	-	0	-	0	-
Total:	4	-	3	-	1	-

2. Detailed Audit Table

Sr. No.	Financial Year	Class: Serious / General	Audit Ref.	Audit Observation	Total Amount per observation	Action taken by the PCU (Reply of Paragraph wise)	Present status (Auditors Validation Result)	Total amount not settled outstanding	Remarks
1	2011-12	M	1	The filling system for the accounting documents is weak.	Nil	The filling system has been improved.	It was taken into consideration in the financial year July 1, 2012 till June 30, 2013.		
2	2011-12	M	2	The project control procedures over fixed assets are not sufficient.	Nil	The MALR prepared a fixed assets register.	It was taken into consideration in the financial year July 1, 2012 till June 30, 2013.		
3	2011-12	M	3	- There is no offsite storage for the data. - There is no insurance policy done over the computer as the date. - There is no log for the computers passwords held with the administration. - There are no changes done on the passwords frequently by the administration. - There is no backup for the date as a period base.	Nil		It was taken into consideration in the financial year July 1, 2012 till June 30, 2013.		
4	2011-12	M	4	Consultants have been paid from the loan budget rather than paying them from the grant. The NPCU received NO for all the amounts from IFAD.	USD40,307		None		The NPCU said that the amount will be deposited as required in 2014.
5	2011-13			THERE IS NO RECOMMENDATIONS					

The auditor did not submit the management letter for the fiscal year 2013-2014.

Appendix 9: Fiduciary Risk Assessment – Data Sheet⁶

Country: Republic of Egypt		Loan and Grant Number: IFAD Loan 801 EG - Grant 1159 EG	
Project Name:		On-farm Irrigation Development Project in the Old Lands - OFIDO (OFIDO)	
Executing Agency: Ministry of Agriculture and Land Reclamation (MALR) Social Fund for Development (SFD)		CPM:	
Reviewing Finance Officer:		Date of This Review: 12 - 28 January 2015	
Date of the last PSR prior to this rating: December 2012	FM rating in the last PSR: 3	Date of the previous FM supervision and rating: 17 - 28 June 2013	

Topic	Rating H/M/L	Issues / Comments / Recommendations
A. Inherent Risks		
L		
B. Control Risks		
H		
1. Organization and Staffing		
a.	M	Adequacy of organizational structure to meet functional needs of the project FM staff of NPCU and SFD is in place.
b.	H	Availability of clear job description for key project positions, including fiduciary positions. The project does not have a Financial and Admin manual where job description for all project's positions shall be included.
c.	M	Adequacy of project financial management staff (numbers and skill) matching functional needs of project. NPCU has 7 FM staff having University diploma.
d.	M	Segregation/ independence of functions for accounting, payments, procurement. With respect to financial transactions, segregation exists.
e.	H	Availability and adequacy of operating manuals and guidelines for staff Operational manual needs to be updated and completed with FM procedures.
2. Budgeting		
a.	M	Timely preparation and approval of project budget, issue of budget execution warrants. The AWPB is submitted to IFAD every year for approval.
b.	M	AWPB in line with expenditure categories in financing agreement schedule 2. AWPBs were developed only by project component. Finance had to calculate budgeted amounts per financing agreement category for the mission reporting purposes.
c.	L	Financing sources and implementing agencies for each category in the AWPB are identified Agencies and government are committed to provide the project with required sources.
d.	H	Availability of detailed activity plans, procurement plans, cost estimates and assumptions to support budget requests. AWPBs are not detailed as required. Project did not provide the mission with the procurement plans.
3. Fund flows and Disbursements / Withdrawals		
a.	M	Timeliness of Funds disbursed by different sources, including counterpart (set benchmarks and test sample) MALR is committed to provide the project with required sources however the funds released from MALR may be 2 months delayed due to the levels of approval.

⁶ Include relevant findings of project supervision and progress reports, field visits, and audit report findings.

Topic	Rating H/M/L	Issues / Comments / Recommendations
b. Efficiency of the funding channels. E.g. confirmation of funds reaching intended beneficiaries.	M	There are controls to confirm the funding channels.
c. Banking arrangement and controls (reconciliation of bank statements with financial accounts)	M	Controls are sufficient.
e. Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management).	L	Due to government restricted process and audits and also to SFD control procedures.
f. Special Account(s)/Dedicated Account(s) Management, Disbursements		
- size of the authorized allocation and adequacy thereof to ensure a smooth flow of funds to project accounts	M	Administrative processes are acceptable between MALR and the project.
- Method and adequacy of disbursement used	L	Efficient controls over disbursement by MALR and SFD.
- Timely preparation and accuracy of Withdrawal Applications	H	Very few WAs been submitted in 2014 on loan and 1 WA is pending on grant.
- Status on expenditures withdrawn from Special Account but not yet claimed for replenishment, including age analysis	H	1 WA is pending on grant because non eligible expenses for training.
- Regularity of Special Account(s) Monitoring and monthly reconciliations (assess the reconciliations)	M	Reconciliation on quarterly basis and now on monthly basis.
- Disbursements profile - actual vs plans, systemic reasons for differences	H	As on 31 December, 2014 (one semester implementing) IFAD loan expenditure is equal to 21% of the 2014/2015 AWPB, and IFAD grant expenditure is equal to 48% of the planned expenditure.
- Recovery of SA balances by loan closure.	n/a	
- Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments	M	Requires training to staff to improve financial management capacity on IFAD's requirement.
- Authorization of WA preparation	M	Project staff have challenges with IFAD's procedures regarding submission.
4. Internal Controls		
a. Adherence to Project Management manuals- clarity and adequacy of decision processes and sequence of events for control functions in project implementation.	H	Manual had to be updated.
b. Effectiveness and efficiency of internal controls for revenue/inflows management (review audit reports)	M	Due to the fact that the project used the internal controls set up by national government.
c. Effectiveness and efficiency of IC for expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.) (also read SAI and other reports)	M	Internal controls in place to check the full cycle.
d. Adequacy of contract management (use of contract register and monitoring form) and filing there-of.	M	Project maintains contracts register.
e. Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	H	Before proceeding to any payment, the NPCU checks on the invoices the evidence of delivery and acceptance of goods and works.
f. Physical controls over cash, documents and records.	M	Project is not allowed to use petty cash in project level only for small expenses.
g. Timely payment to suppliers and consultants (benchmark and test sample)	M	Most of time, it takes about 1 month.
h. Eligibility of expenditures for IFAD funds with respect to financing agreement	H	Some expenditures are not eligible for IFAD financing.
i. Legality/eligibility of advances from project funds	n/a	

Topic		Rating H/M/L	Issues / Comments / Recommendations
j.	Compliance with Financing agreements – both loan and grant	M	Partially compliance with Financing agreement
k.	Adequacy of record keeping for fixed assets and inventories	L	Process in place in the project level.
5. Accounting			
a.	Basis of accounting (cash, accrual).	L	Cash basis
b.	Adequacy of Accounting standards and practices (as designed/Agreed)	M	Accounting is recorded on manual ledger and Excel sheet at MALR and on "Oracle" system at SFD.
c.	Recordkeeping (including documentation and filing/archiving)	M	On the basis of the SOE review, missing procurement documents accounts for two payments.
d.	Fixed Assets Records maintained and reconciled (sample and physical check)	L	On manual register.
e.	Adequate documentation and controls for Information Systems, integration of all sub-systems	M	At stage manual and on Excel sheet. Project is recommended to hire a software developer to finalize the accounting software development, which shall help to control and manage the financial information and reporting.
f.	Adequacy of chart of accounts for project accounting purposes	n/a	
g.	Timeliness of recording transactions, controls on erroneous recordings	M	Follow government procedures.
6. Financial Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness	M	Financial statement could be prepared quickly by the NPCU, but some information on commitments, payments by components and sub-components are not included
b.	Interim FM reports (FMRs, PMRs as relevant) or progress reports - timely preparation, submission	NA	Not requested by IFAD
c.	Follow up of previous aid-memoirs, FMR/PMR or progress reports	M	Acceptable compliance with agreed actions.
7. Internal Audit			
a.	Existence of Internal Audit arrangements	L	Follow governmental review and internal audit procedure; a full time internal auditor for the project been assigned by the MALR and MoF controller.
b.	Adequacy of internal audit organization - staff capacity	M	Internal auditor of MALR needs training in financial management and accounting practices to perform the normally prescribed and entrusted role of an internal auditor.
c.	Adequacy of internal audit scope of work and quality of reports	M	Internal auditor has on-hand review at all activities as per governmental procedures but short to provide internal audit reports. SFD internal audit Department is well structured.
d.	Assessment of matters raised in audit reports	n/a	
8. External Audit			
a.	Adequacy of scope and TOR	M	Missing to comply with some IFAD requirements.
b.	Audit report timeliness.	L	Draft audit report submitted at time.
c.	Quality of audit.	M	After modification of the draft report on the basis of IFAD comments.

Project Fiduciary Risk Assessment at Supervision

Risk Analysis Summary Table: _Project #_ Agricultural Resources Management Project – Phase II (ARMP-II)

Implementing Agency: Ministry of Agriculture.

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk		N/A
Control Risks		
1. Organization and Staffing	M	IFAD to provide tailored financial training and update operational manual.
2. Budgeting	M	Project need to upgrade the budget not to components but also to financier and categories per financing agreement.
3. Funds flow & Disbursement Arrangements	M	To be maintained with more frequent disbursement requests.
4. Internal Controls	M	Due to government restricted audits and reviews.
5. Accounting Systems, Policies and Procedures	M	Under national accounting procedures.
6. Reporting and Monitoring	M	Utilize MTR financial report template
7. Internal Audit	M	Perform the normally prescribed and entrusted role of an internal auditor.
8. External Audit	M	Comply with IFAD requirements.
Overall Project Fiduciary Risk	M	
H=High, M=Medium, L= Low		

Comments

The project has been rated as a moderately risk project.

Appendix 10: List of people met

Prof. Dr. Mohamed Abdel Warth Gamrey

Chairman of the Board
Ministry of Agriculture and Land Reclamation
Executive Authority for Land Improvement

Eng. Ali Kamal Fetih

Head of Irrigation Improvement Sector – IIIMP Supervisor
Ministry of water Resources & Irrigation
Irrigation Improvement Sector (IIS)
Shoubra El Mazalat, Fum El- Ismailia Canal.

Eng. Wessam Thabet

Water Management Reform Programme (WMRP)
Coordinator of working area "Institution Development"
Ministry of Agriculture and Land Reclamation

Salem Shouhan

Director General
CDIAS

Eng. Mohamed Ezat El Shafee

Chairman of the Central Administration
for directing water

Prof. Dr. Essam Eldien Wasif

Director of the Institution
Agricultural Engineering Research Institute

Prof. Dr. Mohamed Youssef El Ansary

Chairman of the Technical Committee for the
Irrigation development Unit
Ministry of Agriculture

Abdel Rhim Osman Mohamed

Director of SFD Sohag Regional office
SFD

Prof. Dr. Salah El Khatib

President
Research Institute of Agricultural Engineering Research
Department of Field Irrigation Engineering Research
OFIDO Project Coordinator in Upper Egypt (Assuit, Sohag and Quena)

Eng. Khaled Malawi

Director of Irrigation Development Projects – Esna

Eng. Yehia Youssef

Director of Irrigation Development Projects – Esna

Gamal Mohamed Abdel Aziz

Chairman of the Association of Eastern Canal of Qeft

Abdel Hamed Ahmed El Saied Company

Dr. Mohamed Samir Abo Soliman

Director PMU OFIDO
MALR

Farag Morsy Zayed

Head of Financial & Administrative Affairs sector
MALR

Dr. Magdy Madkour

Supervisor for the Central Administration of
Foreign Agricultural Relations
MALR

Mohamed Hassan Al-Waraki

Accountant Procurement officer
MALR

Ahmed Mostafa

Financial Officer NPCU
MALR

Accounting and Financing team

NPCU - MALR

May Shams El-Din

Acting Manager
Monitoring Sector, Planning &
International Cooperation Central Sector – SFD

Hisham Mohamed Abdel Hamid

Deputy Manager Central Sector for Internal Audit- SFD

Nevine Badr El-Din

Finance Sector Director - SFD

Dr. Zoheir El-Shandweily

Assistant General Manager
Non-financial Services Central Sector- SFD

Amrou shash

Director Micro financing- SFD

Rabab Yousry

Officer Microfinance Central Sector – SFD

Eng. Seif E.F.Kamel

Manager Non-Financial Services Central Sector – SFD

Eng. Khaled Abdel Meguid

Manager of Information Technical Office – SFD

Dr. Amal Gamal Eldin

Sector Director Finance & Operations – SFD

Nevein Gamea

Head of Central Sector for Small Enterprises Finance – SFD

Mohmed Ahmed Ahmed Soliman

Deputy Manager
Financial Follow up of the Convention Dept.- SFD

Ms. Soha Soliman

Managing Director, Social Fund for Development – SFD

Ms. Mai Ismail

Financial Follow-up for the Convention Department

Mr. Zakaria Moein Hassan

Chairman, Nagaa, Mohamed Abdalla Community Development Association – Qena

Ms. Khayreya Hassan

Loan Officer, Nagaa, Mohamed Abdalla Community Development Association – Qena

Mr. Hosni Embarak

Project Manager, Nagaa, Mohamed Abdalla Community Development Association – Qena

Mr. Abdel Baki Mohamed Al-Zaher

Chairman, Al-Zafereya Community Development Association – Qena

Ms. Ilham Fathy Beshir

Project Manager, Al-Zafereya

Ms. Ilham Fathy Beshir

Project Manager, Al-Zafereya Community Development Association – Qena

Ms. Hanan Saad Tawfiq

Loan Officer, Al-Zafereya Community Development Association – Qena

Ms. Maysa Mustafa

SFD Microfinance Officer – Sohag

Mr. Ahmed Abdel Fattah

SFD Small Enterprise Officer – Sohag

Mr. Osama Mohamed

SFD Microfinance Officer – Assiut

Mr. Jamal Hassan

Board Member, Al-Nahda Community Development Association – Assiut

Mr. Omar Ismal Mahmoud

Loan Officer, Al-Nahda Community Development Association – Assiut

Ms. Amal Rezk Eid

Accountant, Al-Nahda Community Development Association – Assiut

Mr. Amer Mahmoud Tantawy

Chairman, Community Development Association At Alsawalem Bahareya – Assiut

Mr. Hassan Abdel Sabour

Project Manager, Community Development Association At Alsawalem Bahareya – Assiut

Ms. Noura Mustafa Aly

Loan Officer, Community Development Association At Alsawalem Bahareya – Assiut

Mr. Mohsen Wahib

Sole Proprietorship – Assiut

Mr. Gaber Aly Osman

Sole Proprietorship – Assiut (also apply through Al-Fath Building and Construction Cooperative to qualify in terms of Contractors' required category)

Mr. Gaber Ahmed Mohamed

Sole Proprietorship – Assiut (also apply through Al-Fath Building and Construction Cooperative to qualify in terms of Contractors' required category)

Mr. Mohamed Refaei

Sole Proprietorship – Assiut (also apply through Al-Fath Building and Construction Cooperative to qualify in terms of Contractors' required category)

Prof. Dr. Hassan Aly Shams El Din

Project Coordinator

Prof. Dr. Samy Saad Alittay

Qena Coordinator

GPCU Qena

Prof. Dr. Mohamed Saied

Project Team Member

GPCU Qena

Civil Engineer Mohamed Abdo Hindawy

General Director of the Field Irrigation Development

GPCU Qena

Eng. Yahia

Irrigation Engineer
GPCU Qena

Eng. Adel Nagy Mohamed

Electrical Distribution Company
GPCU Qena

Eng. Mostafa Gamal

Irrigation Engineer
GPCU Sohag

Dr. Bakr

Project Extension Engineer
GPCU Sohag

Eng. Mohamed El Kholy

Project Manager
GPCU Sohag

Dr. Ahmed Salah

Coordinator
GPCU Assuit

Dr. Kabak

Project Engineer
GPCU Assuit

Eng. Hamdy

Extension Engineer
GPCU Assuit

Eng. Ahmed Fouad

Governorate Irrigation Improvement
GPCU Assuit

Eng. Galal Elden Lotfy

Irrigation Engineer
IIS/MWRI

Eng. Mahmoud Saied

Delta Project Director

Mr. Assem Abd El Aziz Mohye

Internal Audit Officer – MALR

Ms. Moshera Said Zaki Kheirallah

Procurement Director – MALR

Procurement team

MALR

Ahmed Mostafa Mohamed El Sayed

Financial Officer
NPCU

Ahmed Salah Ibrahim

M&E expert NPCU
NPCU

Eng. Khaled Hussein Bekheit

Project Manager
IIMP

Ph.D. Khaled M. Refaie

Senior Researcher
The Central Laboratory for Agricultural Climate (CLAC)