Photo on cover page:
Arab Republic of Egypt
Farmers lay harvested corn out in the sun to dry
IFAD Photo by: Ursula Wieland
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All annexes are available upon request to IFAD’s Office of Evaluation (evaluation@ifad.org).
Exchange Rate

Local Currency = Egyptian Pound
USD 1.00 = 6.5 (2004)
LE 1.00 = USD .15

ABBREVIATIONS AND ACRONYMS

APIP Agricultural Productivity Improvement Project
BADP Bustan Agricultural Development Project (EU)
BDAC Bank for Development and Agricultural Credit
CAE Country Assistance Evaluation
CAS Country Assistance Strategy
CDA Community Development Association
COESS Confederation of European Security Services
COSOP Country Strategic Opportunities Paper
CPE Country Programme Evaluation
CPM Country Programme Manager
EDNASP East Delta Newlands Agricultural Settlement Project
EPADP Egyptian Public Authority for Drainage Projects
ERR Economic Rate of Return
EU European Union
FADP Fayoum Agricultural Development Project
FAO Food and Agriculture Organization of the United Nations
FSR Farming Systems Research
GDP Gross Domestic Product
GEF Global Environment Facility
GIM General Identification Mission
GOE Government of Egypt
GTZ Deutsche Gesellschaft für Technische Zusammen Arbeit
IAS Irrigation Advisory Service
IDS Italian Debt Swap
IPM Integrated Pest Management
KfW German Development Bank
LE Egyptian Pound
MADP Minya Agricultural Development Project
MALR Ministry of Agriculture and Land Reclamation
Matruh II Second Matruh Resource Management Project
M&E Monitoring and Evaluation
MDGs Millennium Development Goals
MTR Mid-term Review
MWRI Ministry of Water Resources and Irrigation
NASP Newlands Agricultural Settlement Project
NENA Near East and North Africa Division, IFAD
NGO Non-governmental Organization
OE Office of Evaluation, IFAD
O&M Operations and Maintenance
PBDAC Principal Bank for Development and Agricultural Credit
PIM Project Identification Mission
PMU Project Management Unit
PN Near East and North Africa Division, IFAD
RFP Rural Finance Policy, IFAD
SAR Staff Appraisal Report
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>SDR</td>
<td>Special Drawing Rights</td>
</tr>
<tr>
<td>SEDO</td>
<td>Small Enterprise Development Organization</td>
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<tr>
<td>SFD</td>
<td>Social Fund for Development</td>
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<tr>
<td>SHROUK</td>
<td>National Programme of Integrated Rural Development</td>
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<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
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<tr>
<td>SPM</td>
<td>Special Programming Mission</td>
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<tr>
<td>SRDP</td>
<td>Sohag Rural Development Project</td>
</tr>
<tr>
<td>T&amp;V</td>
<td>Training and Visit System of Agricultural Extension</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>VEW</td>
<td>Village Extension Worker</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<tr>
<td>WBSP</td>
<td>West Beheira Settlement Project</td>
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<tr>
<td>WID</td>
<td>Women in Development</td>
</tr>
<tr>
<td>WNRDP</td>
<td>West Noubarya Rural Development Project</td>
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<tr>
<td>WUA</td>
<td>Water User Association</td>
</tr>
</tbody>
</table>
ARAB REPUBLIC OF EGYPT
COUNTRY PROGRAMME EVALUATION

Map 2 - Project Areas

Source: IFAD
The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the borders or boundaries, or the authorities thereof.
ACKNOWLEDGEMENTS

The Office of Evaluation and the Country Programme Evaluation team gratefully and with sincere thanks acknowledge the generous support given by the Ministry of Agriculture and Land Reform and its Directorates in conducting this Country Programme Evaluation. Without their help this report could not have been written.

The team met individually and collectively with many staff in the Ministry of Agriculture and Land Reform, the Ministry of Water Resources and Irrigation, the Ministry of Local Government and the SHROUK Programme, the Principal Bank for Development and Agricultural Credit and Governorate Banks for Development and Agricultural Credit, the Management Units of IFAD-supported projects, and the leaders and staff of Beni Suef, Fayoum, Minya, Matruh and Sohag Governorates. Discussions were held with and assistance received from CARE, Confederation of European Security Services (COESS), FAO, Deutsche Gesellschaft für Technische Zusammenarbeit, the Office of the Italian Debt Swap, ICARDA, KfW, UNDP, UNOPS, USAID, the World Bank, and the World Food Programme. Discussions were also held with IFAD’s Programme Management Department in Rome. Thanks are due to all concerned for their time and invaluable contributions.
I. THE CORE LEARNING PARTNERSHIP AND THE USERS OF THE EVALUATION

1. The Agreement at Completion Point (ACP), which is the end point of the evaluation process, records the understandings reached among members of the Core Learning Partnership with respect to the main recommendations and follow-up actions arising from the Egypt Country Program Evaluation (CPE). The Core Learning Partnership included the Government of Egypt (Ministry of Agriculture and Land Reclamation; Ministry of International Cooperation); the Principal Bank for Development and Agricultural Credit (PBDAC); representatives of Project Management Units of ongoing IFAD supported projects; The WB; UNOPS and IFAD (Regional Division for Near East and North Africa). The Office of Evaluation facilitated the process. The CPE team was fielded in March/May 2004: the main objectives were to assess the results and impacts of the IFAD and Government of Egypt (GOE) development cooperation over the last 25 years, to draw lessons and insights from this experience and to provide building blocks for a new Country Strategy and Opportunities Paper (COSOP) for Egypt. This ACP has been prepared following the CPE workshop held in Cairo on March 23-24, and takes accounts of the discussions in that workshop, especially those related to the Issues Paper of the evaluation.

II. OVERVIEW OF THE MAIN EVALUATION FINDINGS

2. IFAD’s program in Egypt has comprised two main themes and groups of activities – support for settlement in newlands and support for productivity improvement in oldlands. The most recent project, the Sohag Rural Development Project (SRDP) added a further dimension and is an innovative and ambitious attempt to raise the capacity of rural communities to plan, implement, operate and maintain infrastructure projects in a poor Governorate of Upper Egypt. The CPE found that investment in newlands in the West Delta had clearly made a large difference to the quality of life for the targeted communities through improvements in economic and social infrastructure, improved farm productivity, marketing and water management. In the East Delta, the outlook at the time of evaluation was less bright, mainly because the environment for reclamation had been more difficult and challenges more severe. Newlands development supported by IFAD and the WB requires additional investment in the East Delta if the foundation built so far is to be brought to fruition. In the oldlands of Upper Egypt, IFAD has supported the agricultural research and extension system in three governorates and has promoted in the last of these projects a number of innovative approaches. The CPE concluded that whilst small farms in Upper Egypt are highly productive, scope remained to raise the productivity of the main crops even further, particularly in Southern Upper Egypt, and to diversify production into new commodities of higher value.

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1 The CLP members who participated in the workshop included: H.E. Eng. Ahmed A. El-Leithy, Minister of Agriculture and Land Reclamation; Dr Fadia Nosseir, Supervisor of Foreign Agricultural Relations (MALR); Mrs Souraya Abo El Saoud, Under Secretary of State, Ministry of International Cooperation; Prof. Abdel Azem El-Tantawy, Head of Agricultural Research Centre and National Coordinator APIP Project (MALR); Mr Mohamed F.A. El-Essawy, Supervisor, International Funding Agencies, Foreign Agricultural Relations (MALR); Directors of ongoing IFAD-supported projects; Dr Ramzy Ragab Mersal, Manager of Foreign Projects Department, Financial Sector PBDAC; Dr Hany Shalaby, Senior Environmental and Safeguards Specialist, The World Bank; Mr Mohamed Chaalala, Coordinator UNOPS, Rome Office; Dr Mona Bishay, Director (IFAD-PN); and Dr Abdelhamid Abdouli, CPM (IFAD-PN). The workshop was also attended by the following representatives of the Office of Evaluation of IFAD: Mr Luciano Lavizzari, Director; Ms Caroline Heider, Deputy Director; and Mr Fabrizio Felloni, Evaluation Officer. A list of workshop participants is provided in Appendix VII.
3. Key overarching factors identified by the CPE as affecting the outcomes of the program in Egypt have been: first, while IFAD has leveraged more resources from other donors over time, it has only cooperated with a few, namely the WB and the Italian Debt Swap imitative (IDS). Second, although IFAD has built a strong and successful relationship with GOE via the Ministry of Agriculture and Land Reclamation (MALR), work in irrigation and water management and community based rural infrastructure lends itself to expanding partnerships with other agencies, e.g. the Ministry of Water Resources and Irrigation (MWRI), the National Program for Integrated Rural Development (SHROUK), as well as NGOs, but this did not materialize. Third, IFAD’s portfolio of projects in Egypt cannot yet be defined as a fully integrated “program” - rather IFAD has supported a set of development projects but without the integration needed to create a program. The CPE also found that progress in much of the portfolio had been marked by significant delays in implementation which had affected the flow of benefits and increased costs. The credit programs have also largely been ineffective, and in various instances supervision and implementation support could have been firmer and more effective.

4. Opportunities. The CPE found that IFAD had promoted some innovations in its operations, namely the Farming Systems Research approach and farmers’ schools under the Agricultural Production Intensification Project (APIP) and the support for village level decentralization in rural infrastructure in SRDP. However, the conclusion was that in future a more systematic support to newer dimensions, such as applied research that benefits the poorest and women farmers, mechanisms that improve the marketing of small farmers’ crops, growth in agriculturally-based off-farm employment, and saving and credit mechanisms that can be used successfully by the poor, needed to be given priority. The gender dimension of agriculture and off-farm employment was also identified as requiring urgent attention to address the perception of rural women as labour inputs for farm and domestic chores only.

5. Challenges. The first challenge is to establish an effective presence in donor forums in Cairo, and to this end IFAD has decided on a pilot field presence in Egypt. The second challenge is to engage in mutually beneficial partnerships. Given GOE’s growing reluctance to borrow for activities that do not pay their way financially, IFAD will be hard pressed to propel its pro-poor agenda forward without strategic alliances with donors that share IFAD’s priorities and have grant resources to deploy in partnerships. IFAD experience in poverty reduction can be shared in return. The third challenge is to address inertia: to move away from adherence too long to an old but comfortable agenda and unwillingness to apply new knowledge, identify new directions and take risks. IFAD’s present strategy and program lags behind corporate level policy changes: while the Fund’s mandate has become more clearly pro-poor, the empowerment of rural organizations of the poor and pro innovation, its program has not been adjusted and its behaviour remains risk-averse. This needs to be addressed in the new COSOP. A fourth challenge is the adoption of an approach to project implementation that is sufficiently demanding with respect to delivery and scheduling. IFAD needs to be firmer, when needed, with respect to agreements and determined schedules, and also has to apply the same discipline to its own responses to project and borrower needs.

III. RECOMMENDATIONS AGREED BY ALL PARTNERS

A. Partnerships

6. Work through partnerships and engage in policy dialogue. The CPE concluded that IFAD must work less in isolation and more in partnership with like-minded others. Partnerships should be sought on the basis of shared goals and practical synergies, where the strengths of partners are complementary both in knowledge and modalities of finance (grants and loans). As IFAD seeks to be a privileged dialogue partner of GOE and key donors, it has to equip itself with relevant knowledge and experience, be present in the appropriate forums, employ its links to leaders and policy makers, and engage on the development scene. The precursor to developing such partnerships, according the CPE was clearly to identify IFAD’s “niche”, so that the value-added by cooperating with the Fund could be demonstrated.
7. The ACP workshop participants, whilst agreeing with these conclusions, added that IFAD should be careful to assess the skills and capacities of potential partners (especially NGOs) and to define the areas in which they had advantages (e.g. literacy, health etc). The workshop participants also recommended supporting such agencies to allow them to develop their implementation capabilities, and involving NGOs early on in the project planning processes as well as in the implementation stages. A way to further enhance the importance of NGOs (and other civil society organizations) may be by ensuring their representation on project steering committees, etc.

8. The appropriate time to seek new partners, according to the CPE, was during the process of updating the country strategy, when the “fit” with the development ambitions of potential partners can be assessed. Although of relatively recent vintage, the CPE found that the COSOP required updating to take account of the fast-changing circumstances in the rural economy of Egypt. During this process IFAD should take full account of the potential for widening partnerships with other funding agencies.

9. The rationale for having a presence in Cairo was clearly described in the CPE and endorsed by the workshop. The representative should participate in the regular GOE and donor forums that plan, monitor and evaluate donor assistance to the rural sector and occasionally participate in project supervision missions. The CPE concluded that an enhanced field presence should also seek to strengthen the Fund’s sectoral knowledge base. This could be done through closer associations with Egyptian universities and research organizations, and other relevant multilaterals and bilaterals. The workshop further recommended that the IFAD presence could be made more visible by sponsoring appropriate conferences and seminars and developing contacts with the local media.

10. Extend Implementation Partnerships and improve supervision and monitoring arrangements. This recommendation from the CPE will require a frank and open dialogue with existing implementation partners and implies widening the number of such partnerships. To implement innovative projects and pilot actions, or to scale-up successes, IFAD needs to get closer to the action on the ground. This also implies more effective project supervision, and improving the capacity for implementation support. In the supervision provided so far there is often more emphasis on maintaining fiduciary responsibility at the expense of problem solving: the Fund should therefore review the results it wants from supervision in Egypt, and, at the same time and as a necessary adjunct, no longer be prepared to accept weak performance in project Monitoring & Evaluation.

11. The workshop participants welcomed and endorsed the need to broaden the range of implementing partners but cautioned that one main implementing agency was still needed for each project. The participants also emphasized the need to arrange for more effective communication between the projects for sharing experiences and lessons (for example through a website and an annual programme review workshop). On the matter of improving monitoring and supervision of projects the participants called, firstly, for greater clarity in the project documents with respect to development objectives and indicators, and secondly, the use of former project staff on supervision missions. The hope was expressed that, with a field presence in Cairo, much better implementation support and faster reactions to project requests would be achieved.

Summary Agreements
- IFAD to engage in dialogue with all relevant agencies in Egypt, to be fully involved in development fora and to develop a more proactive approach to publicizing project results and development findings;
- Broaden the spectrum of implementation partnerships and intensify implementation support in order to seek the optimisation of project and grant impacts; support the development of potential NGOs as potential partners;
- Facilitate the communication of innovative approaches and experiences across projects through regular workshops and field visits. Wider consultation with project users and staff may also facilitate support to innovative approaches.
IFAD should insist on higher quality monitoring and impact assessments in order to retain the emphasis on achieving development objectives and to share knowledge across projects. Utilise local skills of project staff to help in this respect.

**Suggested Timing:**
- Immediate - use the new COSOP process to establish partnerships and dialogue in Egypt;
- Consider revising implementation mechanism/partnerships as part of the review of SRDP and the planning of a new pipeline of projects.

### B. Geographical Focus and Targeting

12. **Shift the Geographical Focus of IFAD interventions.** The CPE recommended that IFAD should shift its strategic focus towards the rural areas of the Governorates in Upper Egypt with a higher poverty prevalence, closely aligning areas of intervention to meet the needs of the poorest members of society and helping realize the development intentions in the PRSP.2 The workshop agreed with the proposed shift and highlighted the need for an exit strategy for projects in Lower Egypt.

13. Invest more in social development and sequence program interventions properly. According to the CPE, IFAD’s investments so far have placed stronger emphasis on the hardware needed for poverty reduction, e.g. irrigation and rural infrastructure and credit. Emphasis on local level institutional strengthening and community development (i.e. building social capital) have received less attention overall. However, IFAD’s global experience has indicated that local level institutional strengthening is often a precondition for successful investment in rural infrastructure and agriculture, and hence sequencing is an important element of country strategy and project design. The workshop endorsed these recommendations and further stressed the need to support governorates and local authorities and improve flexibility at the implementation phase.

14. Promote innovative approaches, their replication and scaling up. According to the CPE, project design and implementation processes should be realigned to the needs of promoting innovative approaches, and the appropriate mix of instruments (loans and grants) should be used to this effect. Successful innovative approaches in IFAD’s current program should be supported and replicated. During the workshop it was highlighted that innovative approaches and experiences should be widely communicated and discussed across projects. In this context, the experience of Farming Systems Research (in APIP) and the innovative features of the Sohag Rural Development Programme should be reviewed and the results of the review widely disseminated.

**Summary Agreements:**
- Shift the geographical focus of IFAD’s strategy to Upper Egypt and develop an exit strategy for Lower Egypt;
- Examine the need to invest more in and sequence better social development activities;
- Promote capacity of governorates, local authorities and local committees in managing and supporting rural development programmes;
- Along the same line, the performance of SRDP should be reviewed and the results of the review widely disseminated;

**Suggested Timing:**
- To start with the preparation of the next COSOP for Egypt and continue through the implementation of the new IFAD strategy.

**Partners Involved:**
- IFAD, MALR plus other GOE social development agencies and partner agencies already involved in Upper Egypt.

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2 The emphasis on the recent Poverty Reduction Strategy is on Upper Egypt.
C. Rural Financial Services

15. **Revise the approach to rural finance.** IFAD’s rural credit intervention has not succeeded in reaching the poor, the landless or women. The evaluation found that PBDAC has been unwilling to lend to these target groups. At the workshop PBDAC expressed its concern over conditions and procedures required under IFAD loans which differ from its own. The evaluation found that PBDAC and Governorate BDACs resisted suggestions to broaden their client base through sublending through an NGO network. Yet, during the workshop PBDAC voiced no objection to IFAD's working with civil society organizations that have the capacity to provide rural financial services as long as they operate within the existing financial sector framework.

16. **Strengthen financial institutions and deepen financial services.** The CPE recommended to strengthen the PBDAC village banking network and to extend its reach to poorer areas and market segments including women and the landless as future micro-entrepreneurs. The workshop participants agreed on the need to identify innovative financial instruments that are relevant to the needs of unserved target groups. In the concluding session it was highlighted that all stakeholders (IFAD, PBDAC and others) should analyze and continue policy dialogue on promoting community-based microfinance institutions and the expansion of the PBDAC village banking network. It was recognized that those who lack land or other collateral had the potential to become micro-entrepreneurs and contribute greatly to income and employment generation on a national scale. This should be seen as a major banking opportunity.

17. **Engage in rural finance policy dialogue.** The CPE found that IFAD provided institutional support to the PBDAC system, but did not participate in the national policy dialogue on rural finance. Workshop participants agreed that IFAD should enter directly into dialogue with PBDAC, respecting its autonomy as a financial institution and should take an active part in the national policy dialogue on rural finance involving all relevant stakeholders.

*Summary of ACP Agreements*

- Support the already existing and encourage the formation of new civil society organizations with the capacity to provide and manage financial services for rural development. To ensure their sustainability they should comply with legal requirements for financial institutions.

- Through the field presence in Cairo, IFAD should take a lead role in stimulating the rural finance policy dialogue, especially to ensure better outreach to IFAD target groups.

- IFAD should enter into direct dialogue with PBDAC, recognizing PBDAC’s autonomy in deciding its financial policies and ensuring its sustainability (within the legal framework).

- Assist PBDAC and other financial institutions to identify innovative financial instruments to reach women and the landless as future micro-entrepreneurs.

*Suggested Timing:*

- Policy dialogue agenda established at COSOP. New project used as entry point.

*Partners Involved:*

- IFAD, other donor agencies, PBDAC, suitable NGOs and CBOs.

D. Gender

18. **Strengthen gender emphasis.** The CPE found that the projects had addressed the needs of rural women in Egypt unevenly and concluded that IFAD needed to pursue a stronger empowerment agenda for women in its future investments in Egypt. IFAD investments had tried to enhance women's income through livestock production and micro-enterprise development; yet outreach to women has been unsatisfactory. The CPE attributed this shortcoming to a lack of mainstreaming gender concerns into project designs and suggested the Fund should consider using its grant mechanism to raise the
profile of gender issues with its development partners. In discussions workshop participants recognized that rural women were doubly disadvantaged, by being both poor and female. To address this it was suggested that the gender focus in projects should be increased and that in certain circumstances it might be necessary to have separate gender components.

19. **Increase women’s skills and employment opportunities.** The CPE suggested a stronger focus on skill development and employment generation for women and increased emphasis on the participation of women in the local institutions and fora such as water user associations, CDAs, etc. In Southern Upper Egypt, IFAD needs to focus more on women as farmers and micro-entrepreneurs by drawing them fully into research, extension and micro-credit activities, and extending the scope for more on- and off-farm income generation and employment opportunities. Workshop participants agreed with this and added that the Government should give more opportunities to women to reach leading positions in projects financed by IFAD as well as within implementation agencies.

**Summary of ACP Agreements:**
- Increase the emphasis on gender aspects in projects.
- Use grant mechanisms to promote the empowerment agenda for women.
- Increase skills and employment opportunities for women through IFAD projects.

**Suggested Timing:**
- The new strategy for Upper Egypt should specify the use of grants and other suitable instruments to address the specific needs of rural women.

**Partners Involved:**
- IFAD, other donor agencies, suitable NGOs. Research organizations and NGOs for TAGs.
Arab Republic of Egypt

Country Programme Evaluation

Executive Summary

I. THE COUNTRY EVALUATION PROCESS

1. The Near East and North Africa Division (NENA) of IFAD will begin to prepare a new country strategic opportunities paper (COSOP) for Egypt starting in late 2004. The new COSOP will launch a new programming cycle. NENA requested the Office of Evaluation (OE) to undertake a country programme evaluation (CPE) as a forerunner to the strategy formulation process. The main objectives of the CPE are to: (i) assess the results and impact of IFAD operations; (ii) draw lessons and insights from the experience so far; and (iii) provide building blocks for a new COSOP for Egypt.

2. Cooperation between IFAD and Egypt began more than 25 years ago. Since then, IFAD has supported nine projects in Egypt with a total loan commitment approaching USD 189.4 million and total project costs of USD 490.0 million. The Government of Egypt (GOE) contribution to these projects amounted to USD 145.0 million. By 2004, four projects were completed, four are on-going, and one is not yet effective. Lending terms have been highly concessionary for five of IFAD’s loans and intermediate for four of them. IFAD has supported other activities through Technical Assistance Grants albeit on a smaller scale. The CPE followed IFAD’s new methodology for country programme evaluations, as well as the Methodological Framework for Project Evaluation.

3. The CPE team was fielded in March/May 2004. Starting in Rome, the team met with NENA, OE and UNOPS staff before going to Egypt. On arrival in Cairo the mission met with officials from the Ministry of Agriculture and Land Reclamation (MALR), Ministry of Foreign Affairs, Ministry of Water Resources and Irrigation (MWRI), Ministry of Local Development, and the Principal Bank for Development and Agricultural Credit (PBDAC). The mission also met international donors, including the WB (WB), UNDP, FAO, the Office of the Italian-Egyptian Debt for Development Swap (IDS), bilateral donor agencies including Deutsche Gesellschaft für Technische Zusammenarbeit GTZ, German Development Bank (KfW), and USAID, and selected NGOs.

4. The team visited the five projects in IFAD’s current portfolio and sought evidence through discussion with officials from the relevant governorates, implementing agencies, Bank for Development and Agricultural Credit (BDAC)s and above all, project area beneficiaries. At project sites the team worked with project managers and counterparts in their offices and in the field. The mission conducted field assessments of impact, participation and gender equity through focus group discussions and individual interviews with over 700 beneficiaries, leaders and officials. The mission prepared a detailed aide-memoire that was discussed with senior officials at a wrap-up meeting at

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1 Before declaring it effective, the Government of Egypt has proposed cancellation of a substantial portion of the credit for the Second Matruh Natural Resource Management Project. More recently (December 2004), the loan was cancelled for both IFAD and the World Bank.
3 The Evaluation Team was comprised of Dr Christopher Gibbs, Mission Leader and Policy and Institutional Expert; Ms Maliha Hussein, Rural Sociologist; Mr Hans Dieter Seibel, Rural Financial Service Expert; Mr Parvis Hekmat, Irrigation and Rural Infrastructure Specialist; Mr Hikmat Nasr, Agronomist Extension and Research Specialist; Ms Manal Mohamed Eid and Ms Hanan Hamdy Abdel Rehim Radwan, National Sociologists; and Mr Sayed Hussein Mohamed, Mission Facilitator. Dr Mona Bishay, former Deputy Director of the Office of Evaluation, designed and supervised the evaluation process throughout. The evaluation benefited from a peer review by Dr Samir Radwan, Managing Director of the Economic Research Forum for Arab Countries Iran and Turkey. The finalization of the evaluation was supervised by Mr Fabrizio Felloni, Evaluation Officer (OE) with contributions by Mr Frank Butcher, consultant.
II. THE AGRICULTURAL AND RURAL DEVELOPMENT CONTEXT

5. Agriculture is a key sector of the Egyptian economy and the foundation of the rural economy. Agriculture still provides a livelihood for 55% of the population that has been estimated at about 70 million in 2003 and employs directly 34% of the labor force. The incidence of rural poverty has been estimated at 22% in 2000. Agriculture contributes about 17% of GDP and 20% of foreign exchange earnings. An increasing share of Egyptian agriculture is devoted to exports although Egypt imports about 40% of its food requirements.

6. Egyptian agriculture can be divided geographically into two parts: Upper and Lower Egypt where Upper Egypt comprises the Nile Valley from Giza south and Lower Egypt comprises the Nile Delta from Cairo north. These lands can be further divided into “oldlands” and “newlands.” Oldlands are found in the Nile Valley and include the land that was claimed from the desert many generations ago. Newlands include land that has been claimed relatively recently (post 1950) – or is in the process of being claimed now. Most farms in Egypt are small, with an average of about two feddans, or less. Farms in Upper Egypt are generally smaller than in Lower Egypt.

7. Agriculture has been a key source of economic growth in Egypt for generations. Significant macro and sectoral market-oriented reforms were begun by the GOE in the mid-1980s and higher agricultural sector growth has been achieved as a result of the policy changes and agricultural innovations. Over the past 20 years, agricultural productivity has grown substantially and by international standards. Egypt is in the front rank of world producers of several commodities including rice, sugar cane and sorghum in terms of yields. This was done in a framework that recognized the need for growth with equity, sought rural poverty reduction, and targeted women and the landless.

8. The GOE formulated two major Agricultural Development Strategies in the framework of its comprehensive economic reform programme started in the late 1980s. An Agricultural Strategies for the 1990s with emphasis on efficient and environmentally-sustainable management of land and water, market development and promotion of the private sector, and provision of social safety nets. A more recent Agricultural Strategies until 2017, which continued the reform process, made even clearer than before the importance of both the farm and off-farm sectors to the rural economy, the need for basic rural infrastructure, and the overarching value of a competitive environment. To alleviate the negative effects of reform on the poor, the government established a Social Fund for Development (SFD) in 1991, created a National Programme for Integrated Rural Development (SHROUK), and in 1996 created a Ministry of Rural Development, renamed the Ministry of Local Development in 1999.

9. While Egypt’s reform programme has been a macroeconomic success and good progress has also been made in terms of human development⁴, rural poverty and some social indicators remain a concern. Overall, Egypt’s poor number about 10.7 million. Of these, 29% are urban and 71% rural, with an urban poverty rate of about 9% and a rural poverty rate of about 22%. However, the sharpest distinction in poverty rates is between Egypt’s metropolitan areas (with 2% to 5% poverty rates) and Lower Egypt (with 5% to 19% poverty rates), on the one hand, and rural Upper Egypt (with 30% to 50% poverty rates) on the other. Most of Egypt’s poor live in Upper Egypt and rural areas of Upper Egypt contain the highest concentration of Egypt’s poor. High rates of job growth in rural areas is essential if rural poverty is to be reduced and the gap between Upper and Lower Egypt is to be closed.

10. Egypt today faces challenging external economic circumstances and the cost of servicing its foreign debt is under review. The GOE seeks to limit foreign borrowings to projects that can repay loans, finance more social development from grants, restrict foreign borrowings to projects with large foreign exchange components, mobilize more local funds, and give priority to infrastructure. As a

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result, borrowing for rural poverty reduction may be used less often and mobilizing non-concessionary
loans will require greater creativity and a more effective dialogue than in the past.

III. IFAD’S STRATEGY IN EGYPT

11. To achieve its mandate of rural poverty reduction, IFAD concentrates its efforts on three
strategic objectives: (i) strengthening the capacity of the rural poor and their organizations;
(ii) improving equitable access to productive natural resources and technology; and (iii) increasing
access to financial services and markets. Since 1995 IFAD has sought to be an innovator, identifying
and spreading more effective approaches to rural development that serve the poor. IFAD is also
committed to the Millennium Development Goals (MDGs) that guide international efforts to cut
global poverty in half by 2015.

12. Within this framework for rural poverty reduction, IFAD’s strategy for the NENA region is
focused on four themes: (i) empowering the rural poor to give them a voice in shaping their lives;
(ii) diversifying rural income; (iii) reducing gender inequalities; and (iv) improving natural resource
management. The scarcity of water is considered to be a most critical and urgent issue. Achieving
IFAD’s objectives in the NENA region is stated to depend on four activities – policy dialogue,
strategic partnerships, knowledge management and impact management.

13. IFAD’s programme in Egypt has been guided by four activities: (i) a Project Identification
Mission (PIM) in 1979; (ii) a General Identification Mission (GIM) in 1989; (iii) a GIM in 1993; and
(iv) a COSOP in 2000.

14. Until 2000 IFAD investments in Egypt have resulted from missions focused on projects. Egypt
did not benefit from Special Programming Missions for strategy articulation as did many other IFAD
borrowing countries during the 1980s and early 1990s. Equally important, during this period IFAD’s
approach in Egypt did not adjust sufficiently despite the changed economic and policy environment,
government agricultural policies and strategies and the rural poverty profile. The two main thrusts of
the programme: supporting settlements on the newlands and increasing productivity of the oldlands
remained largely unaltered. Similarly, the bulk of IFAD investments remained in Lower and Northern
Upper Egypt, whereas the highest poverty incidences are in the rural areas of Southern Upper Egypt.
The first full-fledged IFAD strategy for Egypt is included in the COSOP of 2000. The document
provides a comprehensive approach to strategy formulation with good analytical quality and relevance
to rural poverty, GOE policies, and IFAD’s mandate. However, the COSOP covered a wide spectrum
of areas and referred to far more concepts than can reasonably be expected to be implemented in a
programme that adds only one new project every three years. The COSOP introduced only two new
interventions, of which a new style of projects (Matruh II) was approved in 2002. However, it is not
clear from available documents that it is justified in terms of COSOP priorities or in strategic term for
the emerging rural poverty profile.

15. Five other conclusions regarding IFAD’s strategy in Egypt should be highlighted for the benefit
of future strategy formulation processes. First, while IFAD has leveraged more resources from other
donors over time, it has only cooperated with few, namely the WB and the IDS. This contrasts with
IFAD’s stated policy ambition of increasing partnership in operations in Egypt. Second, IFAD has
built a strong successful relationship with GOE mainly via MALR. While work in irrigation and water
management and community-based rural infrastructure lends itself to expanding partnership with other
agencies, e.g. MWRI, the SHROUK, as well as NGOs, this did not fully materialize and needs to be
stressed in the future. Third, IFAD’s special concern for women is not noticeably reflected in its

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5 Enabling the Rural Poor to Overcome their Poverty. Strategic Framework for IFAD 2002-2006.
2002.
7 KfW provided supported to infrastructure development in the FADP area through a separate financing
arrangement but this was not seen as part of the IFAD-supported project and not addressed in the Interim
Evaluation of that project.
interventions despite IFAD’s full awareness of its importance. More recently a technical assistance grant was approved to strengthen gender mainstreaming in two ongoing projects, and efforts in this direction should be enhanced.

16. Fourth, while IFAD (since 1995) seeks formally to be innovative and support pilot actions, only some elements of its support in Egypt can be considered innovative. The design of one project (SRDP) was innovative in the context of Rural Upper Egypt and IFAD support to APIP has resulted in more attention being given to farming systems research (FSR), a relatively new concept in the context of Northern Upper Egypt. The rest of the programme has mostly provided support along fairly well-established lines.

17. Fifth, IFAD’s portfolio of projects in Egypt cannot be defined yet as a fully integrated “programme.” IFAD has supported a set of development projects but appears not to have invested much in the complementary activities stated in its NENA strategy and the COSOP, and the phasing needed to create a programme. For example, evidence of IFAD support for an engagement in knowledge management, policy dialogue and advocacy, and promoting replicable innovations – all important to IFAD since the mid 1990s – is modest. This has resulted in part from IFAD’s lean structure, operating without a resident country presence and from its dependence on cooperating institutions to supervise project implementation. Another reason is the apparent limited complementarities and appropriate sequencing between the use of the grants and loans instruments in the portfolio.

18. Notwithstanding the above, the IFAD approach followed in Egypt registered many positive achievements (see following section). The main positive outcome was a portfolio of projects of good value to MALR, reflecting government priorities at the time. It was successful in that it provided a series of self-contained agricultural development projects that when well implemented affected positively the socio-economic conditions of the rural poor in respective project areas. The downside of such an approach was the modest responsiveness to the changing context of rural Egypt over many years of progressive reform by the GOE, and a relatively low profile of IFAD’s efforts and experience among actors in socio-economic development in Egypt. The latter limited the opportunities of learning, sharing experiences and influencing others for a larger-scale impact on rural poverty reduction.

IV. IFAD PROGRAMME IN EGYPT

19. IFAD has committed more than half its funds (see paragraph 2) to four newland settlement projects in Lower Egypt8 and about 30% of its funds to three agricultural development projects in Northern Upper Egypt.9 More recently, IFAD has supported a rural infrastructure development project in Southern Upper Egypt (SRDP) and a natural resource and environmental management project in Egypt’s Northwest Coastal Zone (Matruh II).10 These data indicate that new land settlement in the Delta region has received the lion’s share of IFAD support while poorer governorates of Southern Upper Egypt have received much less.

20. IFAD’s commitments to Egypt by sub-sector are greatest for rural credit (40.2%) followed by rural infrastructure (20.8%), and agricultural research and extension (10.5%). The approximately 30% remaining is spread over nine additional activities. During implementation as projects were restructured, the actual expenditure pattern changed and a high proportion of the funds committed to credit were redirected to infrastructure.

8 West Beheira Settlement Project (WBSP); Newlands Agricultural Settlement Project (NASP); East Delta Newlands Agricultural Settlement Project (EDNASP); West Noubarya Rural Development Project (WNRDP).
9 Minya Agricultural Development Project (MADP); Fayoum Agricultural Development Project (FADP); Agricultural Production Intensification Project (APIP).
10 GOE indicated in May 2004 that it would like IFAD to reduce its commitment to Matruh II from USD 12.7 million to USD 1.5 million. More recently (December 2004), the loan was cancelled for both IFAD and the World Bank.
V. PROGRAMME PERFORMANCE

21. Relevance of the Programme. Overall, most projects have objectives that are highly relevant to the IFAD and GOE strategies (at the time of design) as well as to the rural poor. The relevance of the portfolio is therefore judged as substantial. The extent to which the programme was relevant to the poorest is less so.

22. Effectiveness of Closed Projects. On the basis of a review of the evaluation and completion reports of the four closed projects and discussion with partners in Egypt, the CPE judged the effectiveness of the two closed land settlement projects in the Delta (WBSP and NASP) as “substantial”. The projects have achieved most of their main objectives. WBSP successfully restructured a large state farm, allocated the land to households, improved irrigation in an area subject to soil salinity and water logging, increased productivity substantially on 9,500 feddans and successfully increased and resettled some 1,700 families and increased their income. The project contributed to the now prosperous economy of the West Delta and sustainability could be judged as likely, provided emerging water quality issues are tackled successfully. WBSP’s credit component was not implemented and credit funds were reallocated to infrastructure.

23. NASP focused on resettlement in newlands of the Nile in the Delta. NASP achieved its major objectives in providing services to more than 35,000 settlers on 169,000 feddans of newlands. Settlements were improved, new employment was created and yields and production and income increased substantially. Most importantly, absenteeism by settlers fell sharply. Implementation of the credit component was problematic and less than 25% of the targeted households were served with loans. Sustainability was judged overall as likely and institutional development was substantial.

24. The objectives of the two closed projects in Northern Upper Egypt have only been partly achieved and their effectiveness is judged as moderate. The Minya Agricultural Development Project (MADP) aimed to improve small farm productivity by strengthening research and extension services and credit. The project targeted farms with less than three feddans but did not discriminate in favour of the poorer households or the landless. A classic Training and Visit System of Agricultural Extension (T&V) approach was introduced that was active when financial incentives motivated the staff. The extension system had been strengthened and output increased, but weak monitoring meant that productivity gains attributable to the project could not be rigorously estimated. Implementation was very slow and MADP closed ten years later than planned, which delayed benefits substantially. Some institutional development was achieved and links were improved between the research and extension services but sustainability is uncertain given the overstaffing and the inability of GOE to continue financing high levels of staff incentives. The credit component was not adequately conceived and larger landowners used project subsidized credit.

25. The Fayoum Agricultural Development Project (FADP) was comparable to MADP but implemented faster, closing after only a three-year delay. The project aimed to improve the transfer of agricultural technology and the supply of credit to small farmers. The number of target farmers supported under the project was lower than planned and improvement in agricultural productivity attributable to FADP was unknown. The extension at project closing was still regarded as “fragile” and in need of additional support. The project emphasized crop production over livestock and women farmers were not served. Like MADP, the credit component was not successful. More than half the loans made were fraudulent and many were diverted to household consumption.

26. Overall effectiveness of closed projects was lower than it could have been for three main reasons. First, implementation everywhere (except for NASP) was slower than planned and two projects (WBSP and MADP) experienced major delays. Their implementation period extended to 11

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11 As per IFAD’s MFE, programme performance is judged on the basis of three criteria: relevance, effectiveness and efficiency.
and 16 years, respectively. Second, both IFAD and the GOE agreed to finance unplanned activities from project funds, and planned support for institutional development and for credit was reassigned to infrastructure. Third, achievements with respect to social and human capital development objectives – notably with respect to women and the landless – were below expectations.

27. The policy effects of closed projects are not high, but policy dialogue as an IFAD objective was formally established only with the COSOP in 2000: the 1979 PIM and the 1989 and 1993 GIMs included little sectoral analysis and did not recognize policy dialogue as an objective. While IFAD showed a genuine concern for small farmers, it did not seek to influence the policies or strategies of the GOE that impinged on its other target group - women and the landless.

28. Effectiveness of Ongoing Projects. Except for APIP, which is quite advanced in implementation, the effectiveness of the ongoing projects in achieving their objectives can only be partially assessed. APIP supports improvement of agricultural research and extension project in three governorates in Upper Egypt. The loan is due to close in mid 2005 and 90% of project funds have been disbursed. APIP built on the experience of MADP and FADP but uses an innovative FSR approach. The project is judged to have achieved most of its main objectives, but sustainability does not appear likely for the same reasons encountered under MADP and FADP. Delays of implementation have also been experienced. APIP’s large rural credit component is working well with good outreach and high repayment rates, but the poorest, landless and women have been only partly reached. APIP credit is loaned at rates below the market rate of interest and BDACs’ costs, reducing the financial viability of the rural banks.

29. Like its predecessors in the Delta, the East Delta Newlands Agricultural Settlement Project (EDNASP) supports the settlement of low-income families on land being reclaimed in the East Delta. It finances construction of irrigation and social infrastructure as well as community development. Progress on the ground is far less than planned and five years after effectiveness disbursement has reached only 31%. Acute drainage problems became evident when implementation began and their repair required large expenditure by GOE unforeseen at appraisal, causing implementation delays. In 2002, like its predecessors in Lower Egypt, project credit funds were reallocated to civil works and equipment and the project completion date was extended to March 2005. Despite being the third newlands project, EDNASP was not designed in full coherence with IFAD’s prior experience and lessons learnt and the environmental challenges have not been fully addressed. Project management is mounting very commendable efforts to address these challenges, but because land reclamation in the Delta is a lengthy process, the evaluation believes that EDNASP is not likely to be completed by 2005 as planned.

30. SRDP is an innovative and ambitious project that resulted from a seven-year development process beginning with the GIM of 1994. The project aims to raise the capacity of rural communities to plan, implement, operate and maintain infrastructure projects across 1 500 villages in Sohag, a poor Upper Egypt Governorate. The project has a large rural credit component targeted at the rural poor, unemployed youth and women. But this innovative project is facing difficulties. More than three years into implementation, very little infrastructure has been completed, and disbursement has reached only 12.5%. Limited upfront investment has been made in promoting effective participatory approaches to sub-project planning and management. Participation is based on a representative approach, mostly through committees of elected officials, which does not fully allow for genuine community engagement. The project management unit (PMU) is small and despite the presence of a technical assistance team, the level of guidance and oversight provided is modest given the project’s scope. It is unlikely that SRDP can complete its activities by mid-2007 and more training and technical assistance is needed if SRDP is to develop a high level of local ownership.

31. The West Noubarya Rural Development Project (WNRDP) became effective in 2003 making it too recent to be evaluated. Cofinanced with the IDS, the project will improve livelihoods by providing support to community organizations, credit, technical services and marketing support building on three prior newlands projects. Using a participatory approach, the project will upgrade existing low-cost
housing with financing from IDS and provide essential public services. Community participation is a strong thrust of the project. The project includes a credit component amounting to 41.1% of IFAD’s financing. But twelve months after project effectiveness the details of how this component will be implemented are still under negotiation.

32. Matruh II is a second phase of the WB-financed Matruh Resource Management Project. It is targeted to the small Bedouin communities in the northwest coastal zone and uses participatory management of watersheds that improves water harvesting and reduces natural resource degradation. It is co-financed by the WB and the GEF. While it does address important issues of environmental management in an isolated region, the project’s coherence with the COSOP priorities and its relevance to Egypt’s rural poverty profile appear limited. Before project effectiveness, GOE decided to scale back borrowing for Matruh II proposing to use only USD 4.0 million from the WB and USD 1.5 million from IFAD, reductions to be offset by increased commitments from GOE.

33. Efficiency was difficult to assess in all projects. Past evaluations of closed projects as well as project completion reports do not provide estimates of ex-post economic rate of return (ERR) given the lack of quantitative and reliable data. Among the closed projects, cost per household however was remarkably high for WBSP (compared to portfolio average) at USD 22 000 per household and an estimated ERR at appraisal of only 13% against an average of about 25% for the portfolio as a whole.

VI. PROGRAMME IMPACT

34. Outreach. Since 1980, eight IFAD-supported projects have been designed to have a meaningful effect on a sizeable proportion of rural households and land holdings. While it is difficult to assess the exact achieved impact of these projects and their outreach, they are meant to influence in one way or another the lives of about 1.4 million households – equal to 12% of Egypt’s rural households – and 20% of the agricultural land. While these numbers are crude and there is some double counting, they are significant. IFAD has targeted well poor small farmers (those with less than five feddans in newlands and less than three feddans in oldlands), but it has not targeted the poorest people in rural areas. As recent poverty analysis demonstrates, Egypt’s rural poor are concentrated in Upper Egypt where IFAD has allocated less than half its loans. Only one project was approved for Southern Upper Egypt, where the poorest governorates are located. In the three governorates where IFAD supports agricultural production improvement in Northern Upper Egypt (Beni Suef, Fayoum and Minya) 55% of farmers are tenants, sharecroppers, or landless labourers. The landless alone account for 40% of the rural population working as agricultural labourers and engaging in livestock production. Despite their significant numbers, IFAD’s programme has not targeted directly these categories and efforts to develop livestock as a relevant focus for the poorest household and for women have been so far limited.

35. Access to Physical Assets. IFAD’s contribution to asset formation has been substantial. It is most direct in newlands projects through the provision of improved irrigation infrastructure, housing, drinking water systems, sanitation, electricity, and rural roads. The impact of the projects in this domain is impressive most notably in West Delta, where IFAD-supported projects have contributed to high levels of productivity and income increases and healthier communities. However, in some areas particularly in East Delta, problems with infrastructure and soil salinity still exist, and water quantity and quality issues are arising, which are threatening the continuation of this impact.

36. Agricultural Productivity and Food Security. Progress in GOE agricultural research and extension programmes have contributed to major improvements in crop and livestock productivity throughout Egypt over the last three decades. In project areas where IFAD has supported research and extension reliable data are not readily available to identify the extent to which improvements can be attributed to IFAD. But both the Minya and Noubaria governorates, where IFAD had two successive

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12 Impact criteria used by the evaluation are consistent with IFAD’s Methodological Framework for Project Evaluation (EC 2003/34/W.P.3).
projects in each, achieved the highest increase in yields. IFAD contribution has clearly been positive and in most cases production increases have surpassed appraisal estimates indicating possibly higher than expected rates of return. CPE field work also highlighted positive increases in household income and food security in these governorates. But the value of these benefits has been at least partly offset by significant delays in implementation that would have lowered the discounted value of project benefits.

37. **Access to Financial Assets.** Except for one project (APIP), IFAD support for rural finance, despite its original large share in project components, has been ineffective and its impact on the target group has been modest. High levels of lending were proposed that were not achieved and the poverty groups targeted were not reached. Available data indicate that the reach of credit in IFAD projects overall has been well below the planned figures. Surveys conducted by BDACs and PMUs show that farmers with collateral used project credit most often. The poor, women and the landless usually lack collateral, hence access to credit. A good part of credit accessed has been used to finance consumption. The CPE concluded that rural financial services are the weakest area in the Egypt portfolio. One of the reasons is the absence of an appropriate rural financial system to service the poor.

38. Creating a sustainable rural finance system in Egypt is beyond the scope of IFAD alone but learning how to reach poor savers and borrowers through a low-cost, decentralized system is a relevant objective. IFAD-supported projects have not so far induced the PBDAC system to recognize the poor as creditworthy or to develop products that meet the needs of the poorest, women or the landless. The CPE found a number of reasons for this. First, rural banks have not been stakeholders in project design and credit conditions imposed ignore the banking principles the PBDAC system seeks to follow. Second, project credit terms tend to be fixed and are not changed or amended on review. Third, the cost of project-based funds – including the foreign exchange risk – is high and PBDAC can mobilize domestically all the loanable funds it needs from savings. IFAD should be encouraged in future to look for more effective ways of promoting rural finance based on the experience of microfinance programmes in Egypt and elsewhere.

39. **Strengthening Human Assets.** These include skills, education, health and nutritional status. In most projects, development of human assets has taken the form of training of GOE staff, project staff and beneficiaries to improve skills and raising capabilities and income. Most training has been directed at extension staff that acknowledge its value. However, training has been often used as a vehicle to provide incentives and many extension staff claim they are unable to put their training to work in the field for lack of field allowances and mobility. Under NASP, large numbers of women participated in the project’s training activities but these were focused on family health and nutrition, handicrafts and literacy, but not sufficiently on productive activities with marketing and income increasing potential. Women did not receive appropriate attention in extension services that were mostly directed to male farmers. Literacy training generated a lot of interest and has been useful in empowering young men and women. Improved health has also resulted from improved access to sanitation and access to safe water in the new settlements in lower Egypt. There has been no assessment of the impact of beneficiaries training programmes on livelihoods. Overall impact in this area was not high.

40. **Social Capital and Empowerment.** Building poor people collective capacity and empowering them through community organizations, promoting participation and gender equality, are recognized goals for IFAD. In Egypt, this has taken the form of support for community development associations and water user associations (WUAs). Over 400 WUAs have been established to date in IFAD projects involving 13 700 farmers under IFAD-supported projects and 56 000 feddans. This represents 18% of the irrigators in IFAD-supported projects although many of the earliest WUAs no longer exist. Water User Associations are now formally promoted as a GOE policy. While successful ones ensure better operations and management (O&M) and equity in water supply, can be empowered to negotiate with water authorities on water rights, and some empowered women farmers by making them part of their executives, their overall performance so far is mixed and the sustainability of many is in doubt. The impact of the only IFAD grant in support of WUAs is too early to assess.
41. While community participation and their empowerment have been given emphasis in the design of more recent IFAD financed projects, it has not been properly resourced or staffed. WNRDP is the only project in which community participation was allocated a substantial share of the budget. As a result, actual implementation of participation and its impact falls short of expectations. Furthermore, while the GOE aspires to a broader participation of the community, this would require much greater decentralization and autonomy at local levels than is currently accorded. The Egypt’s programme would benefit from the articulation of an approach to community participation that involves inclusive and detailed diagnostic analysis of community issues with full inclusion of communities involved.

42. While IFAD strategy and the more recent interventions recognize explicitly the role of rural women and their empowerment, no substantial impact can be so far recorded. This is partly due to limited access of rural women to credit, limited emphasis on support to livestock activities, and only recent focus on remunerative skill development for women. Some projects (EDNASP and WNRDP) support promising Community Development Associations (CDA) but these are still limited in scope to have a substantial impact on local empowerment.

43. Environment and Common Resources. Project documents contain little information on environmental impact. NASP and APIP promoted integrated pest management (IPM) that reduced the use of agrochemicals and reflected positively on human and animal health. EDNASP introduced a pilot IPM programme adopted by 10% of project farmers. Through promotion of sprinkler and drip irrigation, NASP and WNRDP have lowered water consumption and risk of groundwater salinization. EDNASP has developed the concept of the “clean and green village,” helping settlers plant trees and develop small parks, undertaken a survey of leaching on the land reclamation process, and is carrying out an environmental impact assessment and design work for two wastewater treatment plants. But environmental issues have not been addressed systematically and the interventions in these areas are too recent to have a visible impact.

44. Institutional Development and Policy Influence. A number of positive institutional development impacts have resulted from IFAD’s support to GOE. Among these is IFAD’s influence on the GOE decision to divest itself of its six remaining public sector agricultural companies operating in the area of Noubarya and to privatize them based on the experience of WBSP and IFAD’s support, and possibly influence, on the decentralization of extension services to governorate level. Other institutional development impact, e.g. in the area of markets and marketing, water management and others, is not evident. IFAD has agreed to provide institutional support to improve access by the poor to credit and saving services in two projects: SRDP and WNRDP. However, in neither case have these components been implemented: SRDP lacks still an institutional development plan and WNRDP has not developed a practical approach to credit provision. While the COSOP refers to rural credit as a recognized component of policy dialogue for IFAD in Egypt, IFAD has not participated formally in the national policy dialogue on rural finance. PBDAC and BDAC have not so far provided the institutional framework required to establish rural finance responsive to the needs of the poor. There is some evidence of successful small-scale rural finance operations in Egypt, including through NGOs and commercial banks. IFAD should be encouraged to look for more successful ways of promoting rural finance by assessing comprehensively the experience of relevant microfinance institutions and programmes and investigating options for collaboration with the objective of replication and scaling up.

45. Sustainability. The sustainability of impact of IFAD-supported investments depends on GOE’s capacity to provide policy support (such as for the link between agricultural research and extension and the viability of WUAs and CDAs), and its financial capacity to support project activities after

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13 The Ford Foundation supported a successful programme between 1988 and 1991 reported by the Community Economics Corporation in Lending and Learning: Formal Banks and Microenterprise in Egypt (1993). Much of the microcredit provided in Egypt in the 1990s came via NGOs which served some 75 000 borrowers and had USD 55.0 million outstanding in loans. While much of this activity is urban, there are interesting microfinance activities supported by the National Bank for Development and the Banque du Caire, and a small Grameen Bank replication programme in Cairo.
project closing. Also important is the financial capacity of beneficiaries to pay O&M and user fees, and commercial interest rates on loans. Only some activities have become self-financing during project life and even where a user fee has been levied it is generally below the cost of supplying the service. Experience in West Delta suggests that GOE has provided most of these essentials and sustainability seems to be assured. This is not the case elsewhere. The ability of GOE to continue incentive payments to agricultural extension staff is an area of concern for the sustainability of projects’ impact. While some steps have been made toward self-financing and cost recovery, these are not sufficiently widespread. IFAD’s support for rural credit has had little sustainable impact on the availability of rural financial services to the poor. While an exit strategy or transition from a “project mode” of operations and financing to a “post-project mode” has been recommended in several IFAD-supported projects and implementation documents, few of them have developed such plans and many project-supported activities stopped when the projects closed. Enhancing the sustainability of project impacts has been helped in a few cases by the judicious use of grants, but overall unless actions are taken in the near future jointly by IFAD and GOE, the sustainability of many aspects of IFAD’s programme in Egypt is endangered. Overall the rural poverty impact of IFAD’s programme is judged by the evaluation, so far, as lying between modest and substantial.

VII. STRATEGIC ISSUES

46. Achievement of IFAD’s Strategic Objectives. Assessed against the twin objectives of its early identification missions, IFAD can be said to have largely achieved its strategic objectives. Assessed against the four main themes of its current strategy in NENA, or those cited in the 2000 Egypt COSOP, it would not score as highly. In addition, the 2000 COSOP identified four strategic areas of policy dialogue for IFAD in response to the changing framework conditions: (i) making rural finance more responsive to the needs of the poor; (ii) making the concept of participatory irrigation management operational; (iii) giving a more important role to the private sector in the development of agricultural marketing; and (iv) making extension services to the newlands sustainable through user fees and private sector mechanisms. The achievement of these objectives depends on an ability to engage closely with the GOE, the private sector and other actors in rural development. In practice, with the exception of WUA development there has been limited progress on these issues so far.

47. Partnerships: Involvement in Major Poverty Reduction Processes and Widening the Spectrum of Partnerships. The spectrum of partnership developed by IFAD in Egypt has not been wide enough: IFAD has worked with GOE largely alone. IFAD’s principal cofinancing partner has been the WB and more recently it has gathered support from IDS and GEF. As a result, IFAD is not well known among development partners as it should be, reducing opportunities for learning and influencing. The latter are particularly important since a PRSP is about to be prepared for Egypt. Under the PRSP process, IFAD needs to link with other donors to ensure that rural poverty reduction through agriculture and rural development contributes fully to achieving the MDGs. IFAD seeks to learn about development effectiveness and influence the actions of others and this requires engagement and shared responsibility. IFAD also should seek to leverage the resources of others and to do this, it must engage with potential partners through co-financing or by influencing directly what they do. Since IFAD’s loans come at a relative significant cost to Egypt, the Fund needs to ally itself with donors whose funding costs are lower in order to reduce the cost of a joint package. An example is found in the link to IDS where Italy’s support to Egypt is essentially a grant that complements IFAD loans in WNRDP.

48. At the national level, IFAD has developed a very strong partnership with the MALR at the expense of cultivating other promising partnerships with other agencies involved in agricultural and

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14 These themes include for the NENA strategy empowering the poor, diversifying rural income, reducing gender inequalities, and improving natural resource management – where water scarcity is the most critical and urgent issue. The Egypt’s 2000 COSOP proposes a strategic niche for IFAD with four parts: improving and expanding newlands settlement; expanding the off-farm impacts of smallholder farm development; making marketing more efficient – especially of dairy and horticultural products – to improve farm prices and incomes; and, expanding rural SMEs through provision of training and improved access to credit.
rural development and poverty reduction. This includes agencies like the Ministry of Local Development, Ministry of Irrigation and Water Development, the National Programme of Integrated Rural Development, and others. Direct partnerships with these agencies, in addition to widening the spectrum of IFAD’s engagement with actors on the rural poverty reduction scene, could have contributed to the facilitation of coordination among these agencies. The lack of coordination, at times, represented a constraint to effective project implementation. Nurturing partnerships directly with PBDAC could have led to more successful efforts towards the reorientation of this institution’s outlook to a pro-poor rural financial services policy. Finally, and most importantly, the need for partnership with NGOs and civil society and micro credit finance institutions has also been identified but opportunities to do this on the ground are few and have not been developed so far.

49. **Policy Dialogue.** While IFAD seeks explicitly to influence rural development policy and strategy it is not yet well placed to do so. Three factors contribute to this. First, IFAD has worked mainly in a project mode taking policy and strategy largely as a given. Second, IFAD’s professional resources have been focused on project development and – while they overlap – the skills needed to do sound policy analytical work are different from those needed to design and implement good projects. Third, the policy environment in Egypt is complex and to have a significant impact IFAD should sharpen its focus on a small number of areas and issues and periodically review them. Overall, IFAD must engage in the policy process, bringing professional resources to bear in forums where those who shape policy are present.

50. **Using Grants in Support of Loan Objectives.** Since 1994, Egypt has benefited from a share in 13 regional or multi-country grants (worth in total USD 10.3 million), and five country-specific grants worth USD 432 000. The latter have financed project implementation activities, participatory irrigation management and gender are highlighted in the CPE. While their impact is unknown, their relevance to current rural development priorities in Egypt is high. Given the obstacles to development in these areas, the judicious use of grants to finance well-chosen pilot actions is valuable. The potential to complement loans with grants to identify and demonstrate good practice before committing large volumes of resources should become a standard part of IFAD’s programme cycle.

51. **Performance of Government.** The performance of government has been overall good but with some caveats. Project experienced long effectiveness and implementation delays. Weak interagency coordination also affected project implementation. Credit components were designed by MALR without appropriate participation by PBDAC. With the possible exception of EDNASP where individual staff work hard to serve women effectively, attention to gender issues by most agencies is modest. There is a need to place gender equity more clearly and forcefully on the rural development agenda and provide more training and support. Also important, is the need for stronger support for the development of effective NGOs and civil society organizations to strengthen the environment needed to enhance participation and working with the poor.

52. **Performance of Partners.** IFAD’s key partners are the WB and UNOPS. IFAD’s relationship with the WB has been efficient in terms of resource mobilization, but not demonstrably effective. Effectiveness of partnership implies a degree of mutual influence and it is unclear if IFAD has influenced the WB to be more pro-poor. It is clear, however, that the WB is acting already on the changing poverty profile in Egypt and has recently initiated a poverty reduction strategy for Upper Egypt, before IFAD realizes its urgency. IFAD’s second key partner is UNOPS, the cooperating organization that supervises implementation of several IFAD-financed projects. UNOPS is a capable and experienced organization, but working through cooperating organizations separates IFAD from progress on the ground. IFAD participation in supervision missions increases its capacity to internalize knowledge and contribute to problem solving.

**VIII. OPERATIONAL ISSUES**

53. **Project Identification, Preparation and Appraisal.** Except for SRDP, most projects were identified, prepared and appraised quickly and efficiently, usually within a period of 18 months by
experienced teams led by IFAD or the WB. Parts of some projects were not adequately prepared or appraised. Notably, several projects had infrastructure weaknesses that needed additional design work after they became effective. Technical design work should be improved if GOE and IFAD are to avoid expensive surprises downstream. The environmental and social consequences of wetland reclamation, particularly in EDNASP, were underestimated. The credit components of all projects have weaknesses stemming from the absence of PBDAC involvement and the absence of a coherent policy on rural financial services.

54. **Project Implementation.** There has been an average gap of 16 months between Board approval and loan effectiveness. These delays foreshadowed extended periods of implementation, with an average of over 11 years for the four closed projects. Delays in infrastructure components were common in early projects caused by delays in the procurement process. Key project components have not been implemented as planned (credit), or significantly scaled back (technical assistance). The latter influenced the performance of monitoring and evaluation (M&E). Some projects were redesigned very soon after they became effective suggesting technical weakness in project preparation or lack of ownership of an agreed design. All projects are implemented through PMUs where the capacity of the management teams has been uneven. Some PMUs have been strongly led and well managed, while others lacked project management experience and received limited management training. M&E has been weak across the portfolio. IFAD has managed its Egypt programme flexibly and this has enabled project costs to be spread over longer periods and most committed funds have been disbursed. However, in some cases such flexibility meant that delays in implementation continued and a sense of urgency for project completion has been lost.

55. Overall, the CPE concluded that weaknesses in some of the development processes employed by IFAD in Egypt (strategy formulation, partnerships, project identification, design weaknesses etc), plus limited responses from GOE (especially in terms of infrastructural and effectiveness delays, rural credit and M&E, but including inadequate project management arrangements in some instances) had resulted in lower achievements for the investment programme. These issues concern the management efficiency of the development partnership between IFAD and GOE. There is considerable scope to improve performance in this area, with consequent improvements in the programme impacts. This needs to be highlighted as an issue in future discussions, with clear commitments by both partners to improve performance. IFAD field presence would doubtless help in this respect.

56. **Targeting Poverty.** IFAD has approached targeting poverty in Egypt in two ways: (i) by targeting small farm households; and, (ii) by targeting special groups – including women-headed households, the landless, and unemployed youth. It succeeded in the first but not the second. More recently, IFAD has begun to target geographically with its support to SRDP and Matruh II, but these were self contained interventions and not positioned within a strategic thrust to locate interventions where the bulk of the rural poor live. In newlands, IFAD’s projects do not have explicit poverty targeting built in: all settlers are eligible for support. The CPE mission agrees that settler families – including graduates’ families – are poor and deserve IFAD’s support.

57. **Decentralization and Growth of Civil Society.** IFAD’s portfolio has evolved as the GOE has decentralized and devolved authority for development activities to the governorate level. This has enhanced the relevance of IFAD’s programme by increasing its application to local needs and aspirations. However, the process has not gone as fast as expected and the activities and scope of civil societies are still evolving. As a result, the space for community-driven development has not expanded as originally perceived. Effective development NGOs exist in Egypt but their numbers and capacity are limited.

58. **Promoting Replicable Innovations.** Since 1995 IFAD has sought to promote innovation in development, however this is not yet a hallmark of its programme in Egypt. Opportunities to extend innovation based on experience exist in the work on FSR in APIP backed by strong and relevant inputs from upstream research and in the development of WUAs and water unions in newlands. However, it will require a careful analytic approach to understand the management and
implementation of these development activities – and probably the use of grants – to diagnose what to innovate, when, where and how. The approach adopted in the Sohag project, pending positive outcome, offers also opportunities for replication.

59. **Developing Management Skills for Participatory Projects.** Egypt is a sophisticated borrower where many people have high levels of formal education to the tertiary level. However, Egypt has a limited cadre of proven managers particularly for participatory development processes and projects. There are elements of technical assistance in most IFAD-supported projects and in some cases explicit support for training, but it is not possible to identify how much of IFAD’s support has promoted human resource development in this area. Hardware skills that have been developed over the years in Egypt’s agriculture services agencies and in IFAD’s supported projects are not matched by the software or people skills needed successfully to implement participatory projects in disadvantaged communities. Other project management skills, such as the design and implementation of M&E systems, continue to demand attention.

60. **Promoting Sustainability.** Sustainability refers to the likelihood that the achievements of IFAD’s investments will be maintained over time. More attention should be given by IFAD and GOE to this aspect. In agricultural research and extension the search for an affordable and cost-effective system is not yet over and sustainability of the system developed under APIP is not guaranteed. In irrigation and water management sustainability is a concern for both infrastructure and management systems. O&M is an issue and IFAD must continue to support the growth of a maintenance culture within government and beneficiaries.

61. Sustainability of community based rural infrastructure works put in place under SRDP may be limited because of the level and approach of participation used. GOE and IFAD should re-examine these approaches under SRDP to ensure sustainability.

**IX. RECOMMENDATIONS**

**Strategic**

62. **Have a Presence in Cairo.** IFAD has agreed to place staff in Cairo on an experimental basis for three years. The CPE recommends that IFAD place a senior local professional in Egypt able to deal effectively with counterparts in the GOE and potential partners. She/he should have a strong professional background able to articulate effectively issues of sectoral policy, rural development and poverty issues as well as project implementation. She/he should participate in GOE and donor forums that plan, monitor and evaluate donor assistance to the rural sector and occasionally participate in project supervision missions. An issue that has to be discussed with GOE, however, is the future willingness of Egypt to borrow from IFAD at intermediate terms. This is crucial if IFAD is to invest in a pilot field presence initiative in Egypt, as seems to be the case. A major task of such a placement should be to aim at improving the management efficiency of the development processes relating to IFAD’s programme in Egypt. This concerns not only the processes that are driven by IFAD, such as the COSOP, but also insisting on higher levels of efficiency being achieved by IFAD’s development partners in managing their joint programme. IFAD should support moves to improve management efficiency with funding, where appropriate.

63. **Shift the Regional Focus of IFAD’s Strategy.** The lens to focus IFAD’s future strategy and programme should be the changing profile of rural poverty. IFAD should shift its strategic focus towards the rural areas of the poor governorates in Southern Upper Egypt. IFAD should target the poorest rural communities and address the needs of landless, men and women for employment and income equitably. No new commitments should be made to the West Delta, but IFAD should share its experience in new settlement with all partners. A medium-term exit strategy is needed for East Delta after critical technical and social infrastructure gaps are closed.
64. **Update the COSOP.** The CPE found that there is a need to formulate a new COSOP to take account of the fast-changing circumstances in the rural economy of Egypt and the economic policy at large. The strategy needs to be more closely aligned to GOE’s priorities and better focused to give specific guidance to project designers. During this process IFAD should take full account of the potential for widening partnerships with other funding agencies (see below - Work through Partnership). Suggestions for elements that should be considered in the new strategy can be found in Appendix VII.

65. **Invest More in Social Development and Sequence Programme Interventions.** IFAD’s investment so far has given stronger emphasis on the hardware needed for poverty reduction, e.g., agriculture services, irrigation and rural infrastructure and credit. Emphasis on local level institutional strengthening and community development have received less attention overall (i.e., building social capital). There is a need to develop a programmatic approach regarding IFAD’s support in these two main areas. Experience indicated that local level institutional strengthening is often a precondition for agricultural investment and rural infrastructure. There is a need to sequence interventions in future IFAD programmes such that local level institutional support, training in participatory approaches and community development precede infrastructure and agriculture development. The appropriate mix of instruments (lending and non-lending) should be used to achieve the appropriate sequencing and balance. The judicious use of grants to catalyze key activities and processes should be expanded.

66. **Revise the Approach to Rural Finance.** IFAD’s rural credit intervention is the weakest aspect of its programme in Egypt. In cooperation with GOE and other development partners, IFAD should carefully re-evaluate this experience before making any new commitments to rural finance. The future strategy should strengthen appropriate financial institutions and deepen financial services. Two strategic options are recommended: strengthen the village banking network and extend its reach to poorer clients; and promote community-based micro finance institutions (outside the PBDAC system) owned and managed by their members. IFAD should also seek regional partnerships in the area of rural financial services, particularly to increase its knowledge of ongoing initiatives in this sub-sector and identify appropriate entry points.

67. **Work Through Partnership and Engage in Policy Dialogue.** IFAD must work less in isolation and more in partnership with like-minded others. Partnerships should be sought on the basis of shared goals and practical synergies, where the strengths of partners are complementary both in knowledge and modalities of finance (grants versus loans). Partnership with NGOs and civil society organizations, financed by grants, should increase proximity to the target groups. IFAD seeks to be a privileged dialogue partner of GOE and key donors. To achieve this, it has to equip itself with relevant knowledge and experience, be present in the appropriate forums, employ its links to leaders and policy makers, and engage on the development scene. There are many areas of potential engagement and IFAD has to choose carefully and selectively – in consultation with partners – where it can use its knowledge and limited resources to influence policies towards the rural poor. The precursor to developing such partnerships is to clearly identify IFAD’s “niche”, so that the value-added by cooperating with the Fund can be demonstrated. The logical time to seek new partners is during the process of formulating the new country strategy, when the “fit” with the development objectives of potential partners can be assessed.

68. **Become a Leader for Rural Poverty Reduction.** In the PSRSP process that is about to start there is a danger for agriculture and the rural sector to get sidelined as the number of priority issues grows. When IFAD has a presence on the ground in Cairo it should take a lead to ensure that this does not happen in Egypt when poverty is a rural phenomenon.

69. **Strengthen the Sectoral Knowledge Base.** IFAD needs to strengthen its sectoral knowledge base. This can be done through closer associations with Egyptian universities and research organizations, and other relevant multilaterals and bilaterals. IFAD should expand its in-house policy analysis resources for NENA and develop further its links to sources of sound policy analysis for poverty reduction. This will help the Fund to make the transition from a project-based, financing
organization to a programme-based, innovative knowledge organization. IFAD work is also little known in the wide development circles in Egypt. To be a valuable and influential partner IFAD must share its knowledge in rural poverty alleviation through contributing to relevant fora and organizing its own.

70. **Strengthen Gender Emphasis.** IFAD’s support for improved gender equity has produced limited results relative to both the claims and the needs. Culturally and politically, the environment for gender equality, despite recent improvement, still needs further strengthening. In this context, IFAD has to become more strategic in the choices that it makes on gender, more openly committed to promoting gender equity, and prepared to drop its support for activities that maintain the status quo. In Southern Upper Egypt, IFAD needs to focus more on women as farmers by drawing them fully into research, extension and micro-credit activities, and assess the scope for on and off farm income and employment for women. IFAD should use its grant mechanism more forcefully to raise the profile of gender issues with its development partners throughout its programme.

**Operational**

71. **Work Faster and Improve Project Readiness.** IFAD has committed about USD 189.9 million to nine projects in Egypt over 25 years. While IFAD’s seeks to be both a dependable partner and innovative, working at this slow pace and on this large scale per project makes for slow progress. Delays in project implementation and readiness to extend closing dates repeatedly exacerbated the problem. The Fund should consider developing a portfolio with a larger number of smaller more focused and innovative projects that are implemented faster, evaluated, then scaled up/replicated. By expanding its work with grants based donors, IFAD could leverage its resources and work faster. IFAD has appraised and approved projects with components that were unprepared for implementation. No safeguards were installed to find feasible alternatives. It often took the Government long time to declare projects effective. Both parties must ensure that projects are well prepared and implemented timely. When infrastructure is involved, the quality of detailed design work has to be raised using adequate preparation funds to ensure that there are no costly surprises after projects are approved.

72. **Promote Innovative Approaches, their Replication and Scaling Up.** Project design and implementation processes should be realigned to the needs of promoting innovative approaches, and the appropriate mix of instruments (loans versus grants) should be used to this effect. Successful innovative approaches in IFAD’s current programme should be supported and replicated. The gains made through FSR under APIP are a good example. These results should be carefully documented and assessed for wider application. Support for FSR should be continued but focused on Upper Egypt needs with additional contributions from farm economics and social science. The investment needs of the upstream research system that would provide the basic building blocks of applied research in the poor governorates of Upper Egypt should also be assessed and supported if appropriate.

73. **Reassess Supervision Approaches.** To implement innovative projects and pilot actions, or to scale-up successes, IFAD needs to get closer to the action on the ground, get more out of project supervision, and improve supervision capacity for implementation support. Particularly in IFIs supervision, maintaining fiduciary responsibility is more emphasized at the expense of problem solving. IFAD should re-evaluate its approach to project supervision and be prepared to devote more of its own resources to strengthen the process. IFAD should review the type of results it wants from supervision in Egypt and no longer accept weak performance in M&E.

74. **Assess Scope for Off-farm Income and Employment for Landless.** The need to understand how to accelerate off-farm income and employment in rural areas is appreciated but not analyzed and answered. IFAD should consider investing in knowledge (through its grant programme) of how to support effectively the generations of off-farm employment for landless and women and incorporate results into its loan programme.
75. **Re-orient SRDP.** SRDP is an innovative rural infrastructure project that is relevant and geographically well targeted. Creatively managed, this project could influence the SHROUK Programme and the Social Fund for Development (SFD). However, SRDP’s overall performance is modest and it risks becoming simply a supplementary funding source for much larger programmes. SRDP should be reviewed to make it a more effective catalyst for change. In addition, SRDP is trying to implement a big budget project with a small-project team and this needs to be reviewed and strengthened. Other challenges include the availability of counterpart funding and the limitations under the previous designs of the credit/loan agreements.

76. **Communicate Better.** IFAD’s work is neither widely known nor fully appreciated in Egypt outside the offices of its closest collaborators. Awareness of IFAD’s work should be raised through greater participation in development forums in-country and more attention to brief communication products that are widely shared with clients and partners.
Arab Republic of Egypt

Country Programme Evaluation

Main Report

I. THE COUNTRY EVALUATION PROCESS

A. Background and Objectives

1. The Near East and North Africa Division (NENA) of IFAD will begin to prepare a new country strategic opportunities paper (COSOP) for Egypt starting in late-2004. A new COSOP will launch a new programming cycle. The IFAD’s Office of Evaluation (OE) undertook this country programme evaluation (CPE) as a forerunner to the strategy formulation process. The main objectives of the CPE are to draw lessons and insights from the experience of the Egypt’s Country Programme in order to: (i) provide inputs to the strategy formulation process; and (ii) improve the design and implementation of current and future IFAD operations in the country.

2. Cooperation between IFAD and Egypt began 25 years with IFAD’s first General Identification Mission in 1979. Since then, IFAD has supported nine projects in Egypt with a total loan commitment of about USD 190 million and total project costs of USD 490 million. The Government of Egypt (GOE) contribution to these projects amounted to USD 145 million. Of these IFAD-supported projects, four are complete, four are on-going, and one is not yet declared effective.\(^1\) Lending terms have been highly concessional for five of IFAD’s loans and intermediate for four of them. In addition to loan-supported operations, IFAD has also supported other in-country activities through Technical Assistance Grants albeit at a much smaller scale. This is the first IFAD Country Programme Evaluation in Egypt.

B. The CPE Process and Methodology

3. Closely following IFAD’s new methodology for country programme evaluations\(^2\), the CPE consisted of an assessment with partners and relevant stakeholders of the progress and impact of the portfolio with emphasis on strategic, operational and thematic (or cross-cutting) dimensions. In the preparatory stage, OE prepared a background paper based on available policy, strategy and project design, implementation and evaluation documents (including IFAD’s 2003 Desk Portfolio Review prepared by the NENA\(^3\) Division). This paper provided the starting point for the CPE. In February 2004 a reconnaissance mission to Cairo and selected ongoing projects was undertaken by the IFAD’s Deputy Director of Evaluation (in charge of the CPE) to discuss with the GOE and other partners the CPE approach and methodology and issues of common interest to be examined by the evaluation. Next, an approach paper and terms of reference were prepared that summarized the CPE objectives and focus, expected outcome, process and timing, key issues, Core Learning Partnership (CLP) and the process for the Agreement at Completion Point (ACP). The approach paper was shared with the CLP in Egypt and IFAD to solicit their final input and agreement to the CPE process to be followed.

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\(^1\) In May 2004 the Government of Egypt has proposed cancellation of a substantial portion of the loans for the Second Matruh Natural Resource Management Project (the last approved but not yet effective project) for both IFAD and the World Bank. The loan was recently (December 2004) cancelled for both IFAD and the World Bank.


\(^3\) Near East and North Africa Division.
4. OE brought together an independent evaluation team\(^4\) with experience in agricultural and rural development and of the NENA region able to address the main dimensions of IFAD’s programme in Egypt. This included specialists in agricultural research and extension; rural finance; water management and infrastructure; poverty targeting, community participation, gender and impact evaluation; and a team leader who was also a specialist in management. When working in Egypt, two local consultants, rural sociologists and expert in field analysis in rural areas, were added to the team, plus a national finance specialist and interpreters.

5. The CPE team was fielded in March/May 2004. Starting in Rome, the team met with NENA, OE and UNOPS staff before going to the Egypt. On arrival in Cairo the mission met with government officials from the Ministry of Agriculture and Land Reclamation (MALR), Ministry of Foreign Affairs, Ministry of Water Resources and Irrigation (MWRI), Ministry of Local Government, and the Principal Bank for Development and Agricultural Credit (PBDAC). The mission also met international donors, including the WB (WB), UNDP, FAO, the Office of the Italian-Egyptian Debt for Development Swap (IDS), bilateral donor agencies including GTZ, KfW, and USAID, and selected NGOs.

6. The team visited all five projects in IFAD’s current portfolio in the following order: West Noubaria Rural Development Project (WNRDP), East Delta Newlands Agricultural Services Project (EDNASP), Agricultural Production Intensification Project (APIP), Sohag Rural Development Project (SRDP) and the Second Matruh Resource Management Project (Matruh II). The mission also sought evidence through discussion with officials from the governorates, the Bank for Development and Agricultural Credit (BDAC) and beneficiaries of the impact of earlier and ongoing projects. At project sites the team worked collectively with project management and individually with the counterparts both in their offices and in the field. The mission conducted field assessments of participation, gender equity and impact through focus group discussions and individual interviews with a large cross section of beneficiaries, leaders and officials.

7. The field mission prepared a detailed aide-memoire that was discussed with senior officials at a wrap-up meeting on May 3, 2004. The final CPE report was presented and discussed at a round-table workshop in Cairo in October-November 2004 with participation of members of the evaluation committee.

II. THE CONTEXT: AGRICULTURAL GROWTH AND RURAL DEVELOPMENT IN EGYPT

A. Agriculture and Rural Development in Egypt

8. Agriculture is a key sector of the Egyptian economy and the central component of the rural economy. In 1977, when IFAD began to work in Egypt it was estimated that 56% of the population of 40 million people was rural and 25% of the rural population was poor. At the beginning of the 21\textsuperscript{st} century, despite substantial growth and investment in the Egyptian economy, the statistical significance of agriculture has changed little. Agriculture still provides a livelihood for 55% of a population that now stands at about 70 million (2003) and employs directly about 30% of the labor force. Rural poverty is estimated at 22%. Agriculture contributes about 17% of overall GDP and 20% of total exports and foreign exchange earnings. Industries related to agriculture, such as processing and

\(^4\) The Evaluation Team was comprised of Dr Christopher Gibbs, Mission Leader and Policy and Institutional Expert; Ms Maliha Hussein, Rural Sociologist; Mr Hans Dieter Seibel, Rural Financial Service Expert; Mr Parvis Hekmat, Irrigation and Rural Infrastructure Specialist; Mr Hikmat Nasr, Agronomist Extension and Research Specialist; Ms Manal Mohamed Eid and Ms Hanady Abdel Rehim Radwan, National Sociologists; and Mr Sayed Hussein Mohamed, Mission Facilitator. Dr Mona Bishay, former Deputy Director of the Office of Evaluation, designed and supervised the evaluation process throughout. The evaluation benefited from a peer review by Dr Samir Radwan, Managing Director of the Economic Research Forum for Arab Countries Iran and Turkey. The finalization of the evaluation was supervised by Mr Fabrizio Felloni, Evaluation Officer (OE) with contributions by Mr Frank Butcher, consultant.
marketing and those that supply inputs account for another 20% of GDP and a substantial portion of
the labor force. An increasing share of Egyptian agriculture is devoted to export production although
Egypt still imports about 40% of its food requirements.

9. Egyptian agriculture can be divided geographically into two parts: Upper and Lower Egypt
where Upper Egypt comprises the Nile Valley from Giza south and Lower Egypt comprises the Nile
Delta north of Cairo. These lands can, in turn, be further divided into “oldlands” and “newlands.”
Oldlands are found in the Nile Valley and Delta and include the land that was claimed from the desert
many generations ago and has been irrigated and intensively cultivated since. Newlands include land
that has been claimed relatively recently – in this report since 1951 – or is in the process of being
claimed now. Oldlands tend to be deep, flat and fertile. Newlands are generally less fertile, but over
time and with good management of water and cropping their productivity improves and in successful
areas eventually approaches that of oldlands. Almost all farms in Egypt are small (with an average of
about two feddans, and 95% of five feddans or less) but farms in Upper Egypt tend to be smaller than
in Lower Egypt where new land development has allocated larger areas of land – between 2.5 and 5.0
feddans to recent smallholders settlers (a feddan is slightly more than one acre or about 0.42
hectares). Fragmentation is common in the old land, although leasing plays a role in consolidating
fragmented holdings. About 50% of farming households do not own their land.

10. Soils in the Nile valley are fertile and the availability of irrigation water favours year-round
growth. Almost all land is double-cropped, giving a cropping intensity of close to 200%. Yields in the
‘oldlands’ are among the highest in the world for several cereal and horticultural crops. Similarly,
Egypt’s use of arable land is among the most intensive in the world. Less than 6% of Egypt’s lands are
inhabited and 3% are cultivated. Almost all cultivated land – 98% - is irrigated mainly by water from
the Nile. Rainfall is very limited. The demand for agricultural products has been driven by population
growth and the need to increase export earnings. Between 1980 and 2000, through the introduction of
new land and intensification of cropping the area cropped annually increased by about 20% from 11.2
million to 14.4 million feddans. At the same time, the rate of growth in agricultural production
increased from 2.6% in the 1980s to 3.4% in the 1990s. (FAO, 2003)

11. Over 20 years, agricultural productivity has grown substantially and by international standards.
Egypt is in the front rank of producers of several commodities including rice, sugar cane and sorghum
in terms of yields. In many parts of Egypt, and especially on oldlands, wheat and cotton production are
also high yielding. Cotton, wheat, rice, maize and clover (berseem) account for 80% of the cropped
area.

Table 1: Growth in Production of Major Crops - 1982 to 2002 (millions of tons)

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<tr>
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<th>1982</th>
<th>2002</th>
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<tbody>
<tr>
<td>Wheat</td>
<td>2.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Maize</td>
<td>3.3</td>
<td>6.8</td>
</tr>
<tr>
<td>Rice</td>
<td>2.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Fruits</td>
<td>2.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Vegetables</td>
<td>7.5</td>
<td>13.9</td>
</tr>
<tr>
<td>Sugar</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>0.2</td>
<td>0.6</td>
</tr>
</tbody>
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Source: FAO 2003

B. Government Agricultural Policy and Strategy

12. The greatest constraint on agricultural growth in the country is the availability of irrigated land.
The amount of cropped land per capita has fallen from 0.51 fd to 0.13 fd over the last 100 years,
which explains why Egypt has always been preoccupied with land reclamation. The Government
launched a new programme of expansion in the 1950s with increasing emphasis on desert
reclamation. Its target is to reclaim some 4.3 million fd by 2017, of which some 2.5 million fd will be
suitable for agriculture. Agriculture has been a key source of economic growth in Egypt for
generations. Through the mid-1980s, Egypt’s agricultural policy framework was dominated by the role of government. A search for self-sufficiency guided many government decisions that influenced production and marketing. However, significant reforms begun in the mid-1980s and continued to date. High agricultural sector growth has been achieved as a result of the significant policy changes and emphasis on research and technical innovations.

13. The backbone of Egypt’s reform programme was the transition from a highly interventionist and controlled economy to one that is more decentralized and market oriented. Along with industry and tourism, agriculture was one of the three pillars of the economy. Since the mid-1970s, the agricultural sector has grown by some 2% per annum, although its contribution to GDP has fallen from 29% to about 17%. The reform programme included the removal of crop area assignments and delivery quotas, abolition of feed and fertilizer subsidies, promotion of the private sector, liberalize land rents, privatization of public agricultural production companies and liberalization of agricultural produce prices. There have been increases in the production of many crops as farmers have proved very responsive to new technology and price incentives. As a result, agriculture is now one of the most liberal and progressive sectors of the Egyptian economy. In the 1990s, the overarching aim was to continue and complete the reform process in order to increase agricultural production and income, and to raise agricultural productivity per unit of water and land. This was to be done in a framework that recognized the need for growth with equity, took account of the need for further rural poverty reduction, and targeted women and the landless.

14. An Agricultural Strategy for the 1990s. Agricultural development challenges in the early 1990s were summarized in a report of the GOE jointly with an interagency mission5. The underlying themes of the strategy were: efficient and environmentally sustainable management of the most important natural resources – land and water; emphasis on market development and promotion of the private sector; better involvement of rural women in the development process, including provision of essential social programs for health and education; provision of social safety nets to absorb some of the costs of dislocation caused by reforms; and, reforms that make agricultural institutions more responsive to the needs of farmers. Improved management of water resources was highlighted in a two-part strategy: first, provision of water saving technology that is complemented by improved on-farm water management, and second, institution of cost-recovery for operation and maintenance costs (O&M) of the irrigation network. The impact of increasing pollution on the availability of water was also emphasized.

15. The analysis underlying the strategy demonstrated that Egypt had a strong comparative advantage in horticulture, cotton and wheat, a moderate advantage in low water-consuming crops (such as maize, beans and clover) and little or no comparative advantage in high water-consuming crops (such as rice and sugar cane). The strategy recommended complete liberalization of the cotton subsector to exploit Egypt’s production cost advantages; a search for substitutes for rice; and, a review of the sugar industry to substitute other crops for sugar cane (including sugar beet). It recommended better and timely provision of information on trade to actual and potential exporters, and more research and extension on commodities with export potential.

16. Agricultural research in Egypt was rated highly but it came from a large network of overlapping institutions, most of them funded by the public sector. The strategy recommended more institutional focus, and greater responsiveness to the private sector and export-oriented activities. Recommendations were also made as to the role of MALR at the central level for planning agricultural extension strategies (including with the private sector), methodologies, and providing training and linkages between research and extension institutions. At the governorate level, the strategy called for the integration of field-level extension services, improve training, recruit more women agents and promote programmes relevant to the needs of rural women.

17. The strategy for developing rural finance was focused on the PBDAC. In 1991, PBDAC provided 75% of total lending to agriculture but its lending to agribusiness was limited, its lending to non-agricultural, rural industries was insignificant, and its coverage of disadvantaged groups and women was minimal. The strategy recommended that PBDAC divest itself of non-banking activities, strengthen its capital base by mobilizing more deposits, and diversify its agricultural lending to overall rural sector lending. The strategy also recognized the need to remove restrictions on other banks from entering the rural sector and to create a more competitive environment in rural financial markets.

18. Other strategic recommendations stressed the streamlining of the multiplicity of public organizations in the agricultural sector including staff numbers reduced, encouraging decentralization, and removing legislative regulations that limit responsiveness to change.

19. To alleviate the negative effects of deregulation and reform on the poor, the government took three major initiatives in the 1990s. A Social Fund for Development (SFD) was established in 1991 with a loan from the WB and grants from the EU and bilateral agencies to provide subsidized credit for micro-enterprises and create employment through public works. The National Programme for Integrated Rural Development (SHROUK) was established to support local decision-making for rural infrastructure development and the promotion of participatory self-help initiatives supported by USAID, UNICEF, WHO, UNDP and the governments of Denmark and Switzerland. In 1996 the Ministry of Rural Development was created, renamed the Ministry of Local Development in 1999.

20. **Agriculture Export Promotion.** The next comprehensive review of Egyptian agriculture came in 2001. This review emphasized agricultural competitiveness and an export oriented strategy in a joint effort between the MALR, the WB, FAO and UNDP. The report included a plan of action for export promotion of Egyptian cotton and horticultural products that involved liberalization of the markets, a floor price scheme to protect farmers from exceptionally low prices, plus the provision of timely information to farmers and traders about the reform process. The main challenges to horticulture were to improve market quality to meet international standards for production, handling and packaging, and to integrate small producers into the export market. The strategy also recognized the need for MALR and MWRI to address land and water management issues jointly and adapt them to new cropping patterns under the control of farmers. While farmers at the tail ends of systems do not receive their fair share of water, other farmers suffer water logging from overuse and greater efforts are needed to raise efficiency.

21. **An Agricultural Strategy until 2017.** The most recent strategy document is The Strategy of Agriculture Development in Egypt until the Year 2017 prepared as a joint effort between MALR and FAO and published in May 2003. This report reviewed achievements since the 1980s; assessed Egypt’s agricultural resources, production constraints and potentials; set strategic objectives; and, outlined the policies and mechanisms to make the objectives sustainable. This strategy also continued the reform process that started in the 1980s but made even clearer than before the importance of both the farm and off-farm sectors to the rural economy; the need for basic rural infrastructure; and, the overarching value of a competitive environment.

22. The strategy clearly circumscribes the role of the state in the market place and the need to strengthen producer associations, make more market information more freely available, and enact and enforce laws and regulations that concern product standards and quality assurance. The strategy also addressed the need to further develop PBDAC, to focus even more than before the work of agricultural research, to link agricultural extension more closely to research, and to develop the extension role of the private sector. Not all the recommendations made are consistent with best practice, but this is a reflection of a still incomplete transition process. For example, while PBDAC is encouraged to self-finance more of its investments from savings’ mobilization and to get out of non-

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banking activities – which, according to the strategy should be assigned to member-owned cooperatives – PBDAC is also encouraged to keep its lending rates below market rates and provide low-cost funding for farmers to offset the “low returns and high risks” that they face. Overall, the 2017 strategy contains many recommendations that donors, including IFAD, can prioritize and seek the focus that fits their comparative advantage.

C. The Emerging Profile of Rural Poverty in Egypt

23. Egypt’s reform program of the 1990s has been judged a macroeconomic success. On the social front good progress has also been made, but rural poverty and some social indicators still remain major concerns. The United Nations 2003 Human Development Report shows that Egypt made good progress in human development between 1996 and 2001. The Human Development Index (HDI) which combines literacy rates, life expectancy, educational level with GDP rose from 0.59 to 0.68. This increase takes Egypt out of the category of low level of human development to that of the medium category. However, the report shows a widening urban/rural gap as well as regional disparities between the North and South of Egypt. In general, while social indicators such as literacy rates, infant mortality and life expectancy compare favourably with other countries in the region (World Development Indicators 2004), they do not reflect Egypt’s high levels of inputs into these sectors: almost universal access to health care and high rates of school enrollment. Equally important, a significant gender gap exists; the child mortality rate for girls is 25% higher than for boys and adult female literacy lags behind that of men.

24. Estimates of Egypt’s poverty rate vary depending on the source of information and the definition of poverty used, but led by successful economic reforms the overall poverty rate fell in the second half of the 1990s from more than 25% in 1995/1996 to 17% in 1999/2000 following a build up in poverty rates since 1981 (WB, 2000). At the same time, the absolute number of poor people increased and the pattern of poverty changed from one with a sharp urban-rural divide – that had characterized the past – to a new regional pattern. Overall, the number of Egypt’s poor is about 10.7 million. Of these, 29% are urban poor and 71% rural poor, with an urban poverty rate of about 9% and a rural poverty rate of about 22%. However, the sharpest distinction in poverty rates is between Egypt’s metropolitan areas, Lower Egypt, and the Border Areas, on the one hand, and Upper Egypt on the other. Table 2 below shows clearly that the poverty rate for both urban and rural areas is below the national average in almost all urban and rural areas of governorates outside Upper Egypt and above the national average (shaded areas) in virtually all governorates in Upper Egypt. Upper Egypt is where most of Egypt’s poor are located: governorates in rural Upper Egypt contain the highest concentration of Egypt’s poor.

25. Egypt’s poor tend to live in larger households that support more children per adult. Rates of male labor force participation tend to be the same for poor and non-poor households but female labor force participation is much lower in poor households. Poverty is concentrated in female-headed households (50% more poverty in urban female-headed households and 29% more poverty in rural female-headed households). Poor people also have an average 2.6 fewer years of schooling than the non-poor and their literacy rate is 27% lower than the non-poor.

26. The cause of the poverty gap between Lower and Upper Egypt seems to be the higher level of economic growth that has taken place in Lower Egypt and Egypt’s metropolitan areas in the 1990s. Growth in Lower Egypt was not only higher in construction, trade and manufacturing but also in agriculture. Lower Egypt now accounts for two-thirds of the production value of Egypt’s main agricultural crops while employing less than half of the agricultural labor force. This suggests crudely that agricultural productivity is higher in Lower Egypt and rural underemployment higher in Upper Egypt. In addition, between 1995 and 1999 the share of production of Egypt’s main crops with high domestic demand, such as wheat, maize, rice and potatoes, fell in Upper Egypt and the absolute level

of sugar cane production also declined by 10% (WB, 2004). The low level of growth and productivity in Upper Egypt agriculture seem to be therefore the root causes of stagnation in rural income and persistence of poverty.

Table 2: Poverty Rates by Governorate 1999-2000 (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>Governorate</th>
<th>Urban</th>
<th>Rural</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cairo</td>
<td>5.01</td>
<td>5.01</td>
<td>5.01</td>
<td></td>
</tr>
<tr>
<td>Alexandria</td>
<td>6.24</td>
<td>6.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Port Said</td>
<td>0.90</td>
<td>0.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suez</td>
<td>1.91</td>
<td>1.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Damietta</td>
<td>0.25</td>
<td>0.00</td>
<td>0.07</td>
<td></td>
</tr>
<tr>
<td>Dakahlia</td>
<td>7.79</td>
<td>17.55</td>
<td>14.88</td>
<td></td>
</tr>
<tr>
<td>Sharkia</td>
<td>9.12</td>
<td>13.71</td>
<td>12.70</td>
<td></td>
</tr>
<tr>
<td>Qaliubia</td>
<td>6.05</td>
<td>9.09</td>
<td>7.94</td>
<td></td>
</tr>
<tr>
<td>Kafr-el-Sheikh</td>
<td>3.77</td>
<td>5.90</td>
<td>4.52</td>
<td></td>
</tr>
<tr>
<td>Gharbia</td>
<td>4.51</td>
<td>7.84</td>
<td>6.85</td>
<td></td>
</tr>
<tr>
<td>Menfouia</td>
<td>9.81</td>
<td>21.12</td>
<td>18.96</td>
<td></td>
</tr>
<tr>
<td>Beheria</td>
<td>6.16</td>
<td>8.36</td>
<td>7.85</td>
<td></td>
</tr>
<tr>
<td>Ismailia</td>
<td>0.90</td>
<td>11.12</td>
<td>6.02</td>
<td></td>
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<tr>
<td>Giza</td>
<td>9.43</td>
<td>16.95</td>
<td>12.89</td>
<td></td>
</tr>
<tr>
<td>Bent-Seuf</td>
<td>32.35</td>
<td>51.66</td>
<td>47.26</td>
<td></td>
</tr>
<tr>
<td>Fayoum</td>
<td>19.76</td>
<td>34.27</td>
<td>31.18</td>
<td></td>
</tr>
<tr>
<td>Minia</td>
<td>9.12</td>
<td>24.03</td>
<td>21.41</td>
<td></td>
</tr>
<tr>
<td>Assiut</td>
<td>39.21</td>
<td>56.76</td>
<td>52.08</td>
<td></td>
</tr>
<tr>
<td>Sohag</td>
<td>35.61</td>
<td>41.09</td>
<td>39.88</td>
<td></td>
</tr>
<tr>
<td>Qena</td>
<td>13.30</td>
<td>24.85</td>
<td>22.46</td>
<td></td>
</tr>
<tr>
<td>Aswan</td>
<td>18.33</td>
<td>18.81</td>
<td>18.61</td>
<td></td>
</tr>
<tr>
<td>Luxor</td>
<td>25.35</td>
<td>34.80</td>
<td>29.20</td>
<td></td>
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<tr>
<td>Red Sea</td>
<td>7.52</td>
<td>12.22</td>
<td>9.52</td>
<td></td>
</tr>
<tr>
<td>El Wadi El Gedid</td>
<td>4.85</td>
<td>10.94</td>
<td>7.36</td>
<td></td>
</tr>
<tr>
<td>Matrouh</td>
<td>5.43</td>
<td>26.21</td>
<td>14.13</td>
<td></td>
</tr>
<tr>
<td>North Sinai</td>
<td>0.00</td>
<td>36.49</td>
<td>16.17</td>
<td></td>
</tr>
<tr>
<td>South Sinai</td>
<td>0.00</td>
<td>2.70</td>
<td>1.16</td>
<td></td>
</tr>
<tr>
<td>All Egypt</td>
<td>9.21</td>
<td>22.07</td>
<td>16.74</td>
<td></td>
</tr>
</tbody>
</table>


27. In addition to location and proximity to urban centers, other factors that influence the low level of productivity and growth in Upper Egypt are the agro-ecological and technical constraints to production (Lower Egypt has a Mediterranean climate that allows production of diversified crops 12 months a year), and the lower levels of technical and educational achievements levels. It is estimated that while Upper Egypt has received substantial levels of public investment in the agricultural sector in the late-1990s, much of this was devoted to Giza Governorate (which is adjacent to and includes parts of Cairo) and to Aswan Governorate probably for the Toske project (WB, 2004). Lower levels of human capital in upper compared to lower Egypt (education and access to health services) may also explain the growth differential in the two regions.

28. Investment in non-agricultural activities is also an important determinant of farm household income and lower levels of investment in manufacturing and services have kept rural Upper Egypt at a relative disadvantage. Analysis shows that rural households in Egypt overall earn 42% of their total income from non-farm sources compared to 25% from agriculture and 9% from livestock with the remaining 24% coming from transfers, remittances and rental incomes. Even for the lowest quintile of rural households, those with the highest proportion of household income coming from agriculture (36%), almost 60% of total income came from non-farm sources. For agricultural households with less than one feddan, 67% of total income comes from non-farm sources. In the context of Egypt, with land-scarcity and labor abundance and the employment effects of agriculture are small, investment in non-farm employment and in farm activities with higher effects on employment – such as horticulture
and livestock – have the most potential to increase income and employment for the rural poor. (Adams, 2001)

29. A large employment effect of agricultural growth in Egypt results indirectly as the sector provides demand for labor-intensive goods and services provided by other rural households and small- and medium-sized enterprises (SMEs). While most of these goods and services cannot be traded internationally, they do provide an important foundation for the domestic rural economy and are the source of 44% of overall rural employment. This situation is unlikely to change and while Egypt’s labour force grows by 2.7% annually, and about 500,000 job-seekers enter the labor market every year, high rates of labor intensive growth in agriculture and non-farm rural employment are essential if rural poverty is to decline and the economic and social gaps between Upper and Lower Egypt are to be closed (WB, 2001).

D. A New Framework for Borrowing in Egypt

30. As a middle income country, Egypt has now graduated from highly concessional borrowing terms from IDA, IFAD and others IFIs. Meanwhile, the availability of large amounts of grant funding is allowing Egypt to finance investment projects at a lower cost. With increasing pressures on the balance of payments the GOE is currently reviewing the cost of servicing foreign debt. Application of the following principles and restrictions is being considered that will affect foreign loans including for rural development. The GOE wants to manage foreign debt at a level that Egypt can service by: (i) limiting foreign borrowings to projects that generate high returns from which loans can be repaid; (ii) financing social development activities from grants; (iii) restricting foreign borrowings to projects with major foreign exchange components; (iv) limiting loans to the foreign exchange components of projects; (v) emphasizing the mobilization of local funds; and (vi) giving priority to the electricity, transportation and industrial sectors within the framework of Egypt’s Five-Year Plan.

31. Against this background, GOE has already cancelled a WB loan to the banking sector comprising a credit line of USD 300 million including technical assistance component of USD 30 million. A decision on the effectiveness of Matruh II has been delayed and in May 2004 the government requested IFAD to reduce its loan for Matruh II from USD 12.7 million to USD 1.5 million and the WB to reduce its loan from USD 12.35 million to USD 4.0 million, declaring that the total budget of the project will remain the same because increases in domestic government spending will offset these reductions. The loan was cancelled in December 2004.

32. One implication of this debt review framework for IFAD in the future is that borrowing to improve the effectiveness of rural development programmes and to enable the rural poor to overcome their poverty. IFAD’s overarching strategic objective may become more difficult. Making rural development more pro-poor using non-concessionary loans will require greater creativity and a much more effective dialogue than in the past. If correct, IFAD will need to engage much more closely than before with GOE to identify relevant projects and align itself with donor partners who can co-finance development activities with grant funds and reduce the net cost of borrowing from IFAD. IFAD might also need to consider a combination of instruments in its future rural poverty programmes.

33. Numerous donors provide assistance to agricultural development and the rural sector in Egypt. While some details are contained in Appendix I, an accurate picture is impossible since published data by donor are not consistent. However, to put IFAD in some comparative context, total new commitments to Egypt by major donors in 2001 and 2002 were USD 2.9 billion. Of this, USD 366.3 million, or 12%, was for agriculture. Against this, over 25 years IFAD has committed an average of

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8 Source: Discussion with Ms Souraya Abou Al Saud, Undersecretary of State International, Regional & Arab Financing Organizations, Ministry of Foreign Affairs.

9 Source: CD-ROM DECODE. (2003) UNDP, Cairo, Egypt. Some donor data is by commitments and some by disbursements; some is loans or credits, some is debt forgiveness, and some is grants; and, while most is financial assistance, some is in the form of commodities.
about USD 7 million annually. By all measures IFAD is a small size donor in development assistance to the Egyptian Agriculture sector.

III. IFAD’S MISSION AND STRATEGY IN EGYPT

A. IFAD’s Mission

34. IFAD documents its mission and strategies clearly. IFAD’s mission, as stated in its Strategic Framework for 2002-2006, is to enable the rural poor to overcome their poverty (IFAD, 2002). To IFAD this means enabling poor people – women and men – to transform their lives and livelihoods, and supporting governments and civil society to create and maintain the conditions that allow them to do so. In support of rural poverty reduction IFAD seeks to concentrate its support to agriculture investment projects, knowledge management efforts, policy dialogue, partnership and advocacy on the attainment of three strategic objectives: strengthening the capacity of the rural poor and their organizations; improving equitable access to productive natural resources and technology; and increasing access to financial services and markets. IFAD also seeks to give special attention to the differing opportunities and constraints of rural women and men, to sources of vulnerability and ways of increasing resilience.

35. To maximize the impact of its programmes, IFAD aims to focus on removing bottlenecks by providing relevant information, supporting national partnerships among the poor, governments, the private sector and civil society, building regional and international coalitions, and helping establish institutional and policy frameworks that support the poor. IFAD also seeks to be an innovator, identifying and spreading more effective and efficient approaches to agricultural and rural development and promotes its replication and scaling up. This is the overarching mission and strategy that provide the setting within which IFAD’s regional and country strategies are framed. IFAD is also committed to the Millennium Development Goals (MDGs) that guide international efforts to cut poverty in half by 2015.

B. IFAD’s Strategy for Rural Poverty Reduction in Near East and North Africa

36. Within its overarching framework of rural poverty reduction, IFAD’s strategy for the Near East and North Africa (NENA) focuses on four themes (IFAD, 2002). The first is empowerment of the rural poor in order that they have a voice in shaping their lives, accessing resources, and exerting their rights. The second is diversification of income, given the very limited land and water resources that are typically available to the poor. The third is the reduction of gender inequalities and improvement in the economic status of women. The fourth is improved natural resource management since rural poverty reduction, agricultural growth and sustainable environmental management are so closely linked. Among these, the scarcity of water is the most critical and urgent issue.

37. To implement its strategy for NENA, IFAD has identified five “areas of intervention” and eight “modes of implementation”. The areas of interventions include: community development and institution building; appropriate technologies for marginal and dryland areas; rural infrastructure; rural financial institutions; and, microenterprise development. The agreed modes of implementation are: a programme approach instead of traditional projects; investment in innovative projects and pilot schemes; targeting the poorest groups; employing a participatory approach; building the capacity of local institutions; devolving responsibility for development activities to end users and involving the private sector; mainstreaming gender; and supporting research and capacity-building programmes through technical assistance (TA) grants.

38. To achieve the above the strategy highlights the importance of four “activities” – policy dialogue, strategic partnerships, knowledge management and impact management. Policy dialogue has several dimensions, including establishing legal and regulatory frameworks that supports grassroots organizations; decentralizing and transferring responsibility to community-based organizations (CBOs) with progressive cost-recovery for services delivered; mainstreaming gender
and providing advocacy for women’s groups; targeting in ways that reach and empower the poorest groups; and promoting secure tenure and use rights of natural resources. Strategic partnerships seek to extend the influence of IFAD’s finite financial resources; knowledge management includes both the acquisition of knowledge from others and the sharing of IFAD’s own experience; and impact management involves bringing IFAD closer to the action it supports on the ground in order to raise the effectiveness of development actions.

C. The Development of IFAD’s Approach in Egypt

39. Shortly after its establishment in 1977, IFAD began to work in Egypt. Its first programme document published in 1979 was the result of a Project Identification Mission (PIM) completed one year before its first loan to Egypt was approved. This was followed by two other identification missions in 1989 and 1993 and by Egypt’s first COSOP prepared in 2000 and ratified by IFAD’s Board in 2002.

40. Project Identification Mission 1979. In 1979, Egypt’s population was about 40 million and it was – with considerable farsightedness – expected that this might rise to 70 million by 2000 (IFAD, 1979). Egypt’s population was growing at an annual rate of 2.3% and GDP at about 3.5%. Most of the poor were engaged in agriculture and it was estimated then that 25% of Egypt’s 23.2 million rural people lived below the poverty line. At that time, GOE policy was inward looking, committed to raising agricultural production and domestic self-sufficiency and improving income distribution. The pillars of GOE strategy were to support traditional agriculture in the “oldlands” of the Nile Valley and to settle smallholders in the “newlands” mainly in the Delta. At the same time, it was expected that industry would expand and diversify, creating new communities away from the Nile Valley.

41. Shortcomings in the 1970s agricultural policy framework contributed to Egypt’s inability to exploit its agricultural potential at that time. The government’s extensive control of pricing and production systems for most crops distorted production patterns, created disincentives, reduced farm incomes and produced negligible levels of private investment. Despite input subsidies, agriculture was substantially taxed, leaving little surplus in the sector and little incentive to increase production of Egypt’s most important crops. Donors generally concluded that investments not tied to policy reforms and institution building would only increase economic distortions. The rural credit system had been recently reformed to place the PBDAC at the national level and an Agricultural Development Bank (which became the BDACs) in each of the 17 governorates.
42. Against this background, the PIM identified IFAD’s target group as Egypt’s 5.8 million rural poor, i.e., those people unable to ensure a minimum standard of living. IFAD’s three most promising investment opportunities were identified as: increasing productivity per unit area of oldlands; further development of reclaimed land; and reclamation of additional land. In particular, the PIM identified four priority projects and called this proposed intervention package “a strategy”. These projects were the Fayoum Agricultural Development Project (FADP) to raise productivity on oldlands; the Mechanized Farm Rehabilitation and Settlement Project (later renamed the West Beheira Resettlement Project - WBSP) to restructure a state farm and improve resettlement on newlands; a Smallholder Livestock Development Project; and the Mariut Rehabilitation and Settlement Project. Of these projects, the first two were fully prepared with the expectation that they could be submitted to IFAD’s Board for approval within one to two years. However, the Minya Agricultural Development Project (MADP) approved in 1982 was not identified in the 1979 PIM. The West Beheira and the Fayoum projects were approved in 1980 and 1984 respectively. The Mariut Rehabilitation and Settlement Project was not developed further but EDNASP, approved in 1996, echoes the Mariut project proposal. The Smallholder Livestock Project was not developed further. Between 1984 (the date of approval of the Fayoum Project) and 1992, no projects were approved for Egypt.

43. **General Identification Mission 1989.** IFAD’s second programming mission came ten years later in 1989, this time called a General Identification Mission (GIM). By then, IFAD was financing three loans to Egypt (WBSP, MADP, and FADP) but the Egyptian economy was in difficulty. The labor force was growing quickly at 2.6% annually, unemployment was high at 15% and Egypt had the highest ratio of foreign debt to GDP in the world. In agriculture, annual growth had fallen to 2.1%, below the rate of population growth, and while growth of most uncontrolled crops was expanding rapidly, growth of main crops was stagnant. It was estimated that rural poverty had risen from 30% in 1981/1982 to 39% in 1990/1991 (WB, 2000) and as a result of these declines, the central planning approach that had been introduced in the 1950s began to be dismantled starting in 1987. The impact of these changes was expected to be profound.

44. The successive waves of agrarian reform that began in the 1950s had by then reduced the area of large land holdings and increased the number of small land holdings (those less than one feddan) fourfold. This caused rural poverty to fall, but 45% of rural male employment now came from off-farm sources and many farm workers lost employment. A Land Master Plan identified an additional 2.9 million feddans that could be made productive through irrigation by pumping Nile water to elevations below 150 meters. IFAD’s concluded that its “primary focus” should remain – as before – on small farmers, the landless and the near landless and that the two main strands of IFAD’s approach should also be maintained: supporting new land settlements in the Delta and raising the productivity of small farms on oldlands in Upper Egypt through improved agricultural research and extension. The GIM also recommended that IFAD create a more distinct identity by focusing on post-settlement institution building in newlands and livestock development in oldlands. But as it had been in 1979, the final form of IFAD’s “strategy” was a pair of new investment opportunities: a Newlands Agricultural Services Project (NASP) and – for a second time – a Livestock Production Intensification Project (LPIP). While NASP was agreed, further developed and ultimately approved, LPIP was further developed but never finally agreed.

45. **General Identification Mission 1993.** By 1993, when NASP was about to become effective and LPIP was in post-appraisal, the GOE and IFAD agreed to identify additional projects that would fall within the framework of the sector investment programme outlined in “An Agricultural Strategy for the 1990s” prepared in cooperation with the WB and adopted by the GOE in 1992. This strategy recognized that Egypt was in an economic transition and needed to complete the policy reforms initiated by the GOE in order to raise agricultural production and incomes. In addition, a number of subsectoral strategies had been identified for water and land resources; crops and livestock; trade, marketing and agro-industrial development; agricultural research; agricultural extension; privatization; rural finance; farmer cooperation; and agricultural administration.
46. As in 1979 and 1989, the 1993 GIM built a “strategy” around projects, highlighting three investment opportunities: the East Delta Newlands Agricultural Services Project (EDNASP) – IFAD’s third settlement improvement project in the Delta; the SRDP – a community-based rural infrastructure project that replaced the LPIP that had been recommended in both 1979 and 1989; and the Menoufia On-farm Water Management Project, an additional project aimed at newlands in the Delta. Of these, EDNASP and SRDP were prepared, appraised and approved by IFAD’s Board and the Menoufia project was not developed further. The lengthy menu of market-led, reform-oriented opportunities provided by the 1992 GOE Strategy was not reflected in the GIM analysis and the opportunities it identified for IFAD’s support. The project-based IFAD approach in Egypt remained practically unchanged. Not being functionally “a strategy,” the 1993 GIM did not indicate why particular project recommendations were made, nor did it present a coherent programme with linkages between interventions and defined sequence.

47. Finally, it is noteworthy that Egypt, despite its size, its strategic importance in the NENA region and the then high incidence of rural poverty, never benefited during the 1980s and 1990s from an IFAD Special Programming Mission (SPM). These missions were the exclusive instrument used by IFAD at that time to articulate its strategy for rural poverty alleviation in its borrowing countries (replaced after 1995 by an earlier version of COSOP that was also not used for Egypt).

48. **COSOP 2000.** By 2000, IFAD had developed a new tool for strategic programming to replace its earlier SPMs and strategy missions, the COSOP. Egypt’s first COSOP was prepared in 2000 and – under a new policy – reviewed by IFAD’s Board in 2002. Unlike the PIMs and the GIMs, the COSOP was expected to be a brief document with a stronger focus on strategy. Like its predecessor reports for Egypt, it also concluded with a pair of recommended investment opportunities for potential future support by IFAD. What was different however was the nature of the content: very limited space devoted to new project proposals. While brief – 15 pages only – the COSOP is comprehensive, acknowledging and linking to IFAD’s overarching mission and strategy, including analysis of agricultural, rural development and poverty issues and contemporary good development practices. It also argues that it is based on lessons of experience concerning project complexity, project organization and management, generation and extension of research findings, participatory irrigation management, credit, marketing and gender.

49. In fact, the COSOP leaves few stones unturned, cataloguing so many issues that its strategic focus is somewhat defused. In its final paragraph the COSOP concludes that IFAD’s strategic niche is reflected in two interventions – one well known and based on past experience in land settlements and the other totally new. The first refers to the consolidation and expansion of support for settlement activities in newlands (WNRDP project) and the second is natural resource management in the Northwest Coastal zone (NWC) (through the Matruh II project). The WNRDP was approved and became effective in 2004 as a fourth newlands project in the Delta focused on services to resettled families. Matruh II project was approved, but is still not effective and has been recently subject to loan cancellation. The evaluation found the second project to be little justified by the COSOP and by the evolving poverty profile in Egypt.

**D. Assessment of IFAD’s Strategy in Egypt**

50. For its credit, IFAD’s “strategy” for agricultural development in Egypt has followed closely and supported directly a few main strategic thrusts of the GOE policy. Emphasis has been on support for newlands settlement in the Delta (four projects) and improvement in agricultural productivity on oldlands in Northern Upper Egypt (three projects). Projects are listed in Table 3 in chronological order and more project details are summarized in Appendix I.

51. Four projects and the largest share of IFAD’s investment in Egypt (about 50% in Special Drawing Rights (SDR) terms) have supported settlement and agricultural services to settlers in newlands, all in the Nile Delta in Lower Egypt (WBRP, NASP, EDNASP and WNRDP). Three projects have supported improvements to agricultural productivity in oldlands on northern Upper
Egypt (MRDP, FRDP and APIP) accounting for about 32% of IFAD’s investment in Egypt. All seven projects follow closely IFAD’s original 1979 diagnosis that it should support development in old and newlands – a diagnosis that was followed, unchanged, until the Sohag project was approved in 2001.

52. Two more recent projects – Sohag and Matruh II, accounting for 19% of total approved loans, before their recent restructuring – break the pattern of the first 20 years. The SRDP replaced the recommendation for a livestock project made in both 1979 and 1989 that was not acted upon. The SRDP is a community-based rural infrastructure project; that is within the framework of Egypt’s agricultural strategy for the 1990s where several subsectoral strategies were identified. The SRDP includes innovative design features in the context of village-based rural infrastructure development in the poor governorate of Sohag, and is the only IFAD-supported project in Southern Upper Egypt.

Table 3: Status of IFAD Projects in Egypt

<table>
<thead>
<tr>
<th>Project name</th>
<th>Project focus</th>
<th>Approval date</th>
<th>Loan amount SDR</th>
<th>Status and disbursement rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Identification Mission 1979</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Beheira Resettlement Project</td>
<td>Newlands settlement support in the Delta</td>
<td>1980</td>
<td>21.8</td>
<td>Closed (100%)</td>
</tr>
<tr>
<td>Minya Agricultural Development Project</td>
<td>Oldlands agricultural research and extension</td>
<td>1982</td>
<td>23.55</td>
<td>Closed (100%)</td>
</tr>
<tr>
<td>Fayoum Agricultural Development Project</td>
<td>Oldlands agricultural research and extension</td>
<td>1984</td>
<td>10.1</td>
<td>Closed (100%)</td>
</tr>
<tr>
<td>General Identification Mission 1989</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newlands Agricultural Services Project</td>
<td>Newlands settlement support in the Delta</td>
<td>1992</td>
<td>18.3</td>
<td>Closed (100%)</td>
</tr>
<tr>
<td>Agricultural Production Intensification Project</td>
<td>Oldlands agricultural research and extension</td>
<td>1995</td>
<td>14.45</td>
<td>Effective (90%)</td>
</tr>
<tr>
<td>General Identification Mission 1993</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Delta Newlands Agricultural Services Project</td>
<td>Newlands settlement support in the Delta</td>
<td>1999</td>
<td>17.3</td>
<td>Effective (42%)</td>
</tr>
<tr>
<td>Sohag Rural Development Project</td>
<td>Community based rural infrastructure</td>
<td>2001</td>
<td>18.85</td>
<td>Effective (18%)</td>
</tr>
<tr>
<td>COSOP 2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Noubaria Rural Development Project</td>
<td>Newlands settlement support in the Delta</td>
<td>2002</td>
<td>14.6</td>
<td>Effective (6%)</td>
</tr>
<tr>
<td>Second Matruh Resource Management Project</td>
<td>Natural resources and environment management</td>
<td>2002</td>
<td>9.6</td>
<td>Loan cancelled</td>
</tr>
</tbody>
</table>

Source: CPE elaboration from IFAD’s PPMS database.

53. The second project that goes beyond IFAD’s agriculture on old and newlands focus is Matruh II. The design argues that the origin of this project stems from Egypt’s strategy for agricultural development to the year 2017 (Arab Republic of Egypt and FAO, 2003). However, while the project design is well crafted (built upon completed WB-assisted projects), support for the design claim is not readily found in the strategy itself where emphasis is placed on improved production efficiency and Egypt’s need to move from comparative to competitive advantage. How Matruh II – an environmental and social investment in land management among the very small Bedouin community in the Northwest Coastal Zone away from the main concentration of rural poverty, fits that framework is unclear.

54. Overall, until 2000 IFAD investments in Egypt (seven out of nine projects), have resulted from missions focused on projects rather than on a well-articulated intervention strategy. The reports of these missions (the PIM and the GIMs) have identified and completed the early stages of preparation of project opportunities with only modest attention to IFAD’s strategic role as a unique small-sized donor in a large developing country. Egypt did not benefit from SPMs as did many other IFAD borrowing countries. This can perhaps explain the fact that from 1979 to 2000, IFAD’s approach of
intervention for Egypt remained largely static despite the changing operating environment and the substantially changed poverty profile. In particular, when Egypt’s market oriented agricultural strategy for the 1990s became well articulated, IFAD continued to act largely as before and the opportunity to develop a more strategic approach to programming in 1993 focused on emerging issues in poverty reduction was not taken up. Despite quite lengthy preparations, some of the identified projects were not taken up. The repeated focus on livestock development provides an example.

55. When IFAD’s approach to strategy changed with the introduction in 2000 of the COSOP, the document, despite its undoubtedly good analytical quality, covered a wide spectrum of areas and referred to far more concepts than can reasonably be expected to be implemented in a programme that processes one new project every three years. Finally, when new-style projects were approved (SRDP in 1998 and Matruh II in 2002) it was not clear from available documents why one of them was IFAD’s priority or how it was justified in strategic terms for the emerging rural poverty profile. Furthermore, it was also not clear in what ways the strategy can be responsive to the rapidly altering economic circumstances of Egyptian agriculture or the economy at large, notably the shift from a government-led to a market-oriented economy.

56. Formulating a strategy implies defining a clear path to achieve a desired goal or objective over time, i.e., knowing where the institution should go and by when, and identifying the steps needed to be taken to get to there. In this sense, the PIM (1979) and the GIMs (1989 and 1993) were not full-fledged strategies. The 2000 COSOP, while a more strategic document in nature, lacks a sharper focus and programme dimension. The overall approach was successful in that it provided a series of self-contained agricultural development projects, of value to MALR, that when well implemented affected positively the socio-economic conditions of the rural poor in respective project areas. The downside of such an approach was an absence of responsiveness to the changing context of rural Egypt over almost 20 years of progressive reform by the GOE. This was exacerbated by project implementation delays (dealt with in Chapter V) that lowered the number of opportunities to review and revise the direction of IFAD’s strategy and to modify investments in order to fit the conditions prevailing at the time.

57. A development programme implies possessing a set of relevant instruments and applying them progressively in complementary ways (in space and time) in order to meet strategic goals and objectives. In this sense, IFAD’s portfolio of projects in Egypt cannot be defined as a “programme.” IFAD has supported a set of development projects but appears not to have invested much in the complementary activities and the phasing needed to create a programme. For example, evidence of IFAD support for and engagement in research, knowledge management, policy dialogue and advocacy – all important to IFAD since the mid-1990s – is slight. This results in part from IFAD’s lean structure, operating without a resident country presence, from its dependence on cooperating institutions to supervise in project implementation and from the apparent limited complementarities between the use of the grants and loans instruments in the portfolio. To change this, however, will require a much higher level of engagement by IFAD with both the GOE and its development partners, more investment in country strategy, the mobilization of all instruments at IFAD’s disposal to achieve the desired objectives, and greater attention to IFAD’s particular place in meeting Egypt’s strategic objectives for rural poverty reduction.

58. Four other conclusions should be highlighted. First, while IFAD has leveraged more resources from other donors over time, it has only cooperated with a few, namely the WB and the IDS.10 This contrasts with IFAD’s stated policy of increasing partnership in the majority of its projects in Egypt. Second, IFAD has built its relationship with GOE only via MALR. While work in irrigation and water management and community-based rural infrastructure might have led to relationships with MWRI and the SHROUK, IFAD maintained its main relationship with MALR. Third, IFAD’s special

10 KfW provided supported to infrastructure development in the FADP area through a separate financing arrangement but this was not seen as part of the IFAD-supported project and not addressed in the Interim Evaluation of that project.
concern for women is not noticeably reflected in its strategic choices though more recently a technical assistance grant was approved to strengthen gender mainstreaming in two ongoing projects.

59. Fourth, while IFAD since its 1995 Vision Statement seeks formally to be innovative and support pilot actions, only some elements of its support in Egypt can be considered innovative. The rest has been provided along fairly well-established lines. Aside from the Sohag project (see paragraph 52), it can also be argued that IFAD support for the settlements in the Delta was innovative at the time WBSP and NASP were approved in 1980 and 1992, respectively. However, IFAD has continued to support settlements after many of the essential lessons were learned. Equally, it can be argued that IFAD support for three agricultural development projects (MADP, FADP and APIP) has resulted in more attention being given to farming systems research (FSR), a relatively new concept in the context of these governorates. But the products of FSR are recent and the majority of IFAD’s interventions have been mainstream, supporting a fairly standardized approach to a modified Training and Visit System of Agricultural Extension (T&V) (discussed in detail in the next chapter).

IV. IFAD’S PROGRAMME IN EGYPT: FINANCIAL COMMITMENTS AND MAJOR THEMES

A. IFAD’s Financial Commitments

60. IFAD’s financial commitments to projects in Egypt are summarized in the three following tables with more detail provided in tables in Annex I. Since 1980, IFAD has committed a total of USD 189.4 million to Egypt in projects with a total cost of USD 491.0 million. IFAD has committed an average of USD 21.0 million to each project and contributed an average of 38.9% of the total cost of each one, ranging from 74% of WNSP to 26% of FADP. Over time, IFAD’s share of total project costs has declined from more than 50% for its first five projects to just under 30% of the four most recent projects. Since IFAD’s average commitment to each project has remained about the same at USD 20.0 million, this indicates that IFAD has been cooperating more with other donors and possibly leveraging their funds more often over time (Table 4).

<table>
<thead>
<tr>
<th>IFAD GOE Beneficiaries</th>
<th>Cofinance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBSP 28.0 9.8 - -</td>
<td>37.8</td>
<td></td>
</tr>
<tr>
<td>MADP 25.0 21.6 1.2 -</td>
<td>47.8</td>
<td></td>
</tr>
<tr>
<td>FADP 10.0 20.6 - 6.7</td>
<td>37.3</td>
<td></td>
</tr>
<tr>
<td>NASP 25.0 19.4 - -</td>
<td>44.4</td>
<td></td>
</tr>
<tr>
<td>APIP 20.2 15.7 24.3 -</td>
<td>39.2</td>
<td></td>
</tr>
<tr>
<td>EDNASP 25.0 15.8 15.9 26.1</td>
<td>91.2</td>
<td></td>
</tr>
<tr>
<td>SRDP 25.0 23.6 17.1 25.1</td>
<td>93.4</td>
<td></td>
</tr>
<tr>
<td>WNRDP 18.5 5.5 0.2 30.5</td>
<td>54.8</td>
<td></td>
</tr>
<tr>
<td>Matruh II 12.7 10.4 4.4 17.4</td>
<td>44.8</td>
<td></td>
</tr>
<tr>
<td>Total 189.4</td>
<td>142.4</td>
<td>110.6</td>
</tr>
<tr>
<td>% 38.5</td>
<td>29.0</td>
<td>10.1</td>
</tr>
</tbody>
</table>

Source: CPE elaboration from IFAD’s PPMS database.

61. By subsector and region IFAD has committed more than half its funds to four new land settlement projects in Lower Egypt and about 30% of its funds to agricultural development projects in Northern Upper Egypt. More recently, IFAD has supported a rural infrastructure development project in Southern Upper Egypt (SRDP) and a natural resource and environmental management project in Egypt’s Northwest Coastal Zone (Matruh II). These data indicate that new land settlement in the Delta region has received the majority of IFAD support while poorer governorates of Southern Upper Egypt have received much less (Table 5).

11 GOE indicated in May 2004 that it would like IFAD to reduce its commitment to Matruh II from USD 12.7 million to USD 1.5 million. The loan was cancelled in December 2004 for both IFAD and the World Bank.
Table 5: IFAD Commitments by Project Type and Region at Project Approval (USD millions)

<table>
<thead>
<tr>
<th>Project</th>
<th>Commitment</th>
<th>Commitment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newlands settlement, Lower Egypt (4)</td>
<td>96.5</td>
<td>50.9</td>
</tr>
<tr>
<td>Agricultural development, Northern Upper Egypt (3)</td>
<td>55.2</td>
<td>29.2</td>
</tr>
<tr>
<td>Community-based rural infrastructure, Southern Upper Egypt (1)</td>
<td>25.0</td>
<td>13.2</td>
</tr>
<tr>
<td>Natural resource and environment project, Border Areas (1)</td>
<td>12.7</td>
<td>6.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>189.4</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: CPE elaboration from IFAD’s PPMS database.

62. IFAD’s commitments to Egypt by sub-sector are greatest for rural credit (40.2%) followed by rural infrastructure (20.8%), and agricultural research and extension (10.5%). The approximately 30% remaining is spread over nine additional activities. During implementation as projects were restructured, the actual expenditure pattern changed and a high proportion of the funds committed to credit were redirected to infrastructure.

Table 6: IFAD Commitments by Sub-sector at Project Approval (USD millions)

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Commitment</th>
<th>Commitment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural credit</td>
<td>76.1</td>
<td>40.2</td>
</tr>
<tr>
<td>Rural infrastructure</td>
<td>39.3</td>
<td>20.8</td>
</tr>
<tr>
<td>Agricultural extension</td>
<td>16.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Local institutional and community development</td>
<td>10.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Natural resource management</td>
<td>10.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Other agricultural support services</td>
<td>8.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Project management and M&amp;E</td>
<td>7.1</td>
<td>3.7</td>
</tr>
<tr>
<td>Livestock development</td>
<td>5.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>5.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Agricultural research</td>
<td>3.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Drinking water supply</td>
<td>3.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Water management</td>
<td>2.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Enterprise and financial market development</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>189.4</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: CPE Desk Review.

B. Agricultural Research and Extension

63. Focus. Agricultural research and extension is a component of seven of the nine IFAD-supported projects in Egypt: only WBSP and SRDP do not include support for agricultural research and extension activities. The total approved cost of agricultural research and extension components is USD 43.6 million and forms the substantive core of three projects in Northern Upper Egypt: MADP, FADP and APIP. Agricultural research and extension are discussed in detail in a working paper in Annex III.

Table 7: Share of research and extension of project costs

<table>
<thead>
<tr>
<th>Project</th>
<th>Approved total project cost of agricultural research and extension (USD million)</th>
<th>Share of total project cost committed to agricultural research and extension (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MADP</td>
<td>9.1</td>
<td>25.3</td>
</tr>
<tr>
<td>FADP</td>
<td>4.6</td>
<td>16.6</td>
</tr>
<tr>
<td>NASP</td>
<td>4.7</td>
<td>10.6</td>
</tr>
<tr>
<td>EDNASP</td>
<td>2.8</td>
<td>3.7</td>
</tr>
<tr>
<td>APIP</td>
<td>16.3</td>
<td>47.4</td>
</tr>
<tr>
<td>EDNASP</td>
<td>2.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Matruh II</td>
<td>3.3</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43.6</strong></td>
<td><strong>14.0</strong></td>
</tr>
</tbody>
</table>

Source: CPE Desk Review.
When MADP and FADP were approved in 1982 and 1984, T&V was being introduced in other donor-supported interventions worldwide. Over time, the “classical” approach to T&V was shown to be ineffective and costly, and it has evolved, with various adapted versions, to become more cost-effective. This pattern has also been followed in Egypt where the national system of agricultural research under MALR provides commodity and farming system research support through a variety of more flexible extension systems delivered at the governorate level. The most advanced research and extension systems in place use an FSR approach where extension messages are based on a greater understanding of the complexity of overall farm production systems and farm household resources. IFAD began to support “classical” T&V in Egypt in 1982 and “modified T&V” since 1994. While IFAD cannot claim to have inaugurated FSR in Egypt, it has no doubt promoted the application of this contextual innovation and provided needed emphasis to its development in northern Upper Egypt through APIP starting in 1996 when an FSR unit was established at Seds. As will be explained later, opportunities exist for IFAD and GOE to replicate this approach in other areas of Southern Upper Egypt.

**Relevance.** While the GOE’s strategic objectives for agriculture have evolved since IFAD began lending to Egypt in 1980 – from directed self-sufficiency to decentralized market development – IFAD’s objective of strengthening agricultural research and extension and linking them more effectively has remained very relevant to increasing farm income and reducing poverty. Egyptian farmers seek to achieve very high levels of productivity from very small farms and agricultural research has provided them with the technologies to do this successfully for main crops and, more recently, for diversified cropping. In this context, IFAD’s support was highly relevant and its approach was coherent, supporting agricultural research and extension jointly and adjusting flexibly as the limitations of “pure T&V” became apparent on old and newlands. The geographic targeting of IFAD’s support to northern Upper Egypt was also relevant since this area has many poor rural families operating very small farms. The foundation established under MADP, FADP and APIP could provide a starting point for even more aggressive support to poorer governorates further south.

IFAD has supported the GOE’s programme of agricultural research for oldlands in three governorates under MADP, FADP and APIP. Investments in MADP and FADP benefited during their implementation from a 1981 USAID study which recommended that Egypt’s research and extension services be unified, with decision making decentralized to the governorate and research station levels where scientists are required to interact regularly with farmers. These recommendations were adopted by GOE and supported by IFAD. The research station at Mallawi was upgraded under MADP in the 1980s, and under APIP an FSR approach has been supported since the mid-1990s. FSR demands even closer cooperation between the research and extension systems in order to provide advice to farmers that is more closely attuned to the diversified systems they employ and their need to raise net incomes. Today, the FSR approach is led by the agricultural research station at Seds in Beni Suef serving the three APIP governorates. An evaluation of this FSR work was underway at the time of the CPE field work and a report is due later in 2004. Based on that report, a more detailed technical assessment of the FSR approach should be possible.

IFAD’s support for agricultural extension in MADP and FADP introduced a T&V system that was implemented at the farm level by village extension workers (VEWs), through farmer meetings, on-farm demonstrations, field days and improved mass communications. T&V was widely adopted by the GOE but implemented as designed only when project-supported budgets provided incremental financial incentives for staff and farmer cooperators. These incentives were originally linked to staff salaries, but subsequently to activities such as completion of training courses and outreach in the field that improved the skills of extension workers and the level of farmer contact. However, motivating incentives were paid when project funds were available but the same level of incentives was not paid when projects close.

On newlands in the Delta, IFAD’s support for agricultural research has been focused on the special needs of mature (NASP and WNRPD) and immature (EDNASP) settlement zones where agricultural technologies are needed that are appropriate to sandy and saline soils in various stages of
reclamation and stabilization. NASP funded three research farms and a soil and water laboratory that was also supported by FAO with grant funds. The CPE mission visited the laboratory and found it operating well and largely self-financing. On-farm, applied research trials were supported in close liaison with the extension service, focused on the introduction of salt-tolerant varieties, land reclamation techniques, and improved cultural practices for several key crops including rice, wheat, and sugar beet. The link between research and extension appears closest in the most recent project, WNRDP. The evaluation concluded that IFAD’s support to research had been coherent and timely.

69. Three specific aspects of IFAD’s work in agricultural extension should be noted: (i) the introduction of farmer field schools; (ii) meeting the needs of women farmers; and (iii) expanding the role of the private sector. Farmer field schools have been successfully developed in Egypt from the experience of T&V where groups of farmers with common interests met on a regular basis with the relevant specialist and the VEW to discuss their problems and solve them. Bringing farmers together in groups in the field to interact with experts about real time farm production issues has been dubbed “field schools.” IFAD has successfully fostered the field school concept through APIP.

70. IFAD-supported projects sought to expand the role of women in extension as suppliers and users of extension services but actual growth of extension services by and for women farmers has been limited. It is estimated that 30% of newlands farmers and 15% of old land farmers in Egypt are women. Women farmers have very little contact with the research and extension systems that employ mostly men, whereas it is difficult for men to address the needs of unrelated women in the prevailing socio-cultural conditions. Officials claim that the needs of women are effectively met indirectly through their male family members who are served by extension staff, but the CPE found little evidence to support this contention. Most women farmers felt ignored by extension workers. The number of women recruited as extension workers fell below the agreed targets, and actual support given to women focused more on Women In Development (WID) activities, not on farm activities.

71. IFAD policy and project documents indicate support for an expanded private sector role in agricultural extension but this has not yet been achieved. Some private sector involvement is taking place in newlands areas (EDNASP and WNRDP) where graduate farmers are providing artificial insemination services for cattle and buffalo against a small charge that covers 50% of the cost of the service. In APIP, private contractors provide veterinary services but this is being done without charge and cannot be sustained when the project closes.

C. Irrigation and Water Management

72. **Focus.** Egyptian agriculture is almost totally dependent on irrigation and IFAD has supported significant improvements to irrigation infrastructure (in WBSP and EDNASP) and local water management institutions (in NASP and WNRDP). The importance of irrigation and on-farm water management has been recognized in all of IFAD’s identification missions and four projects were subsequently approved with significant irrigation and water management components. The plan for the FADP also included investments on irrigation infrastructure but KfW financed this component separately. Support for water user associations (WUAs) was mentioned for the first time when NASP was identified in 1989 although this strategy was not well articulated until 2000. Based on progress experiences in delayed implementation, the 1994 identification mission cautioned IFAD to stay away from investments in basic infrastructure stating that in future infrastructure should be completed by GOE or financed by other partners. The 2000 COSOP introduced a general strategy for WUAs in water management and considered farmer participation crucial in irrigation system management. It also identified PIM as an area for policy dialogue with GOE.

73. IFAD’s overall strategy for water management and infrastructure has evolved since 1979 when there was an emphasis on irrigation infrastructure to one that avoids irrigation infrastructure and emphasizes WUAs and PIM. IFAD’s support in this area has been focused mainly on the reclaimed lands of the Delta. IFAD has channeled its support through MALR even though it is not the agency primarily responsible for developing and managing irrigation systems. More recently through APIP
IFAD has supported small investments in irrigation development in newlands in Upper Egypt and promoted cooperation between MALR and MWRI using its grant mechanism. However, it is not possible to identify precisely how much IFAD has committed to irrigation and water management since data on rural infrastructure investments are combined and support for WUAs is part of local institutional development that includes non-water activities.

74. **Relevance.** IFAD’s support for irrigation and water management has been responsive to GOE priorities. Support for improved water use efficiency through new technology, increased beneficiary participation and improved infrastructure has also been relevant to rural poverty reduction. IFAD investments have been coherent, supporting its regional and country strategies. In the Delta, WBSP, NASP and WNRDP have improved on-farm water management by smallholder settlers on newlands. WBSP, NASP and EDNASP also rectified deficiencies in systems that should have been taken care of by GOE and that precluded equitable and efficient water distribution to smallholders. EDNASP and WNRDP are also improving domestic drinking water systems to improve the living conditions of newly established settler communities.

75. However, it is not clear why IFAD has invested so much in newlands settlement in the Nile Delta in support of GOE policy of decreasing unemployment, as opposed for example to the alternative of supporting poorer rural farmers in poorer governorates in Southern Upper Egypt. The strategy documents don’t explain this. As a small-sized lender with a limited number of lending opportunities, it is unclear why IFAD proposed up to six newlands projects in the Delta and financed four of them. While IFAD has no doubt gained large experience in these settlement areas, and substantial benefits were generated, it was not evident to the evaluation that this is known to the development community within the country, nor that this knowledge has been shared for wider scale replication. In particular, by 2000 when IFAD and the GOE had already gained 20 years of experience in newlands projects in the Delta, it is unclear what value would be expected to be added by a fourth project (WNRDP). Given the more recent development in Egypt’s rural poverty profile, the Delta is not an area of high rural poverty. IFAD should therefore develop its exit strategy from this newlands zone in order to redirect resources in future to higher priority poorer areas in Upper Egypt.

D. **Rural Finance**

76. **Focus.** There has been a rural credit component in each of the nine projects supported by IFAD in Egypt and rural credit has been the single largest item of planned expenditure supported by IFAD. Planned commitments by IFAD to rural credit total USD 76.1 million, equal to 40.2% of IFAD’s total loan commitment to Egypt. Based on the loan agreements, the credit components of IFAD-supported projects have been significant in all projects but three, accounting for between 19% and 62% of IFAD’s loans. Most notably, in three recent cases (NASP, EDNASP and SRDP) the original allocations for credit were significantly reduced by 14%, 75% and 84% respectively.

<table>
<thead>
<tr>
<th>Project</th>
<th>Original allocation (SDR million)</th>
<th>Original allocation (% of total cost)</th>
<th>Reallocation (SDR million)</th>
<th>Reallocation (%) of original</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBSP</td>
<td>1.0</td>
<td>4.6</td>
<td>-1.0</td>
<td>-100.0</td>
</tr>
<tr>
<td>MADP</td>
<td>4.4</td>
<td>18.8</td>
<td>5.6</td>
<td>+25.3</td>
</tr>
<tr>
<td>FADP</td>
<td>4.7</td>
<td>46.9</td>
<td>7.7</td>
<td>+62.1</td>
</tr>
<tr>
<td>NASP</td>
<td>11.3</td>
<td>61.6</td>
<td>9.7</td>
<td>-13.9</td>
</tr>
<tr>
<td>APIP</td>
<td>6.3</td>
<td>43.3</td>
<td>7.0</td>
<td>+11.2</td>
</tr>
<tr>
<td>EDNASP</td>
<td>6.9</td>
<td>40.0</td>
<td>1.7</td>
<td>-75.1</td>
</tr>
<tr>
<td>SRDP</td>
<td>7.3</td>
<td>38.7</td>
<td>1.2</td>
<td>-83.6</td>
</tr>
<tr>
<td>WNRDP</td>
<td>6.0</td>
<td>41.1</td>
<td>Na</td>
<td>Na</td>
</tr>
<tr>
<td>Matruh III</td>
<td>1.1</td>
<td>11.9</td>
<td>Na</td>
<td>Na</td>
</tr>
<tr>
<td>Total</td>
<td>49.1</td>
<td>33.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CPE Desk Review.
77. IFAD’s partner in credit has been always the PBDAC, Egypt’s leading rural finance institution. While PBDAC is regulated by the Central Bank it is directed by MALR. PBDAC has a large network of outlets, including 18 governorate banks, 176 district banks and 1,018 village banks. The second large element of the rural credit system is the Social Fund for Development (SFD), a donor-supported fund that provides subsidized credit to small farmers and micro-entrepreneurs mainly through the Small Enterprise Development Organization (SEDO). SEDO channels resources to borrowers through banks and sometimes through NGOs. In addition, there are numerous small-scale credit and saving institutions and projects at work in Egypt but these do not match the scale of operations of PBDAC and SFD.

78. While all IFAD projects have had a credit component, none has addressed rural finance in order to promote financial intermediation between savers and borrowers for the development of sustainable institutions to service the rural poor. In the earlier projects credit was considered an input into the expansion and intensification of crop production and to a lesser extent of livestock, but it was not part of an institution-building strategy. In fact, the original allocation to credit was increased in all IFAD projects approved in the 1980s. In these projects no effort was made to improve the operations of PBDAC to establish local financial institutions or to promote savings and credit activities of community-based organizations. This has caused some conflicts of objectives in implementation where PBDAC seeks institutional viability and sustainability and project managers and their farmer clients seek cheap credit. This conflict has focused on the interest rate to be applied where PBDAC wants a rate that can cover its costs (including the foreign exchange component) and the farmers and other rural credit users want the rate to be as low as possible.

79. IFAD has responded to this conflict in two more recent projects. SRDP has been designed to provide loans as well as institutional support to rural financial institutions in order to improve access by the poor to savings and credit services. But both credit disbursement and institutional development support were stopped when the governorate bank used project funds to lend to its established clients instead of targeting new ones. WNRDP also seeks development of a viable financial system but to date this component has not become operational.

80. IFAD has not participated in the national policy dialogue on rural finance in Egypt and has not addressed the policy obstacles to sustainable rural finance. In 1990 the government started to phase out subsidies and to liberalize interest rates. Fourteen years later, subsidies are still common and outside a few NGOs, market-based interest rates are virtually non-existent. PBDAC’s commercial interest rate of 14% falls below a true market rate of interest since it is unable at this rate to cover its costs and preserve the value of its capital. In addition, PBDAC is forced to offer some loans at 11.0% and 7.5%, and there are special programmes offering loans with interest as low as 3.25%, sometimes below the annual rate of inflation. PBDAC survives because stringent accounting principles have not been applied and loans are rescheduled for up to ten years without counting them as overdue. PBDAC’s management seems to be ready for serious reform but it appears that government is not yet ready for overall financial sector reform on grounds of social considerations. GOE continues to find donors, including IFAD, which directly or indirectly support these inconsistencies.
Relevance. Lack of short- and medium-term credit is a key constraint to improving production and productivity by small farmers throughout Egypt and by SMEs in rural areas. In every IFAD-supported project approved since 1980, removing the operating and capital constraints of target beneficiaries by providing accessible rural credit has been a very relevant objective. Disadvantaged borrowers – including women, unemployed youth and the landless – have not been well served by existing formal credit institutions and IFAD has sought to redress this through its project activities on a local basis. Equally important, the creation of a well-functioning rural finance system is a prerequisite for a healthy rural economy. Promoting the financial health of PBDAC as an institution, therefore, is also a relevant objective for donors, and IFAD sought to strengthen PBDAC in both SRDP and WNRDP. But in seeking these objectives – the provision of rural credit to small farmers, SMEs and disadvantaged borrowers and making the PBDAC system healthy – IFAD (and the donor community at large) has been unsuccessful.

IFAD’s Rural Finance Policy (RFP) was adopted in May 2000. The policy identifies four key challenges in rural finance, in the following order: (i) fostering stakeholder participation, including the poor, in the development of rural finance; (ii) building sustainable rural finance institutions with outreach to the rural poor; (iii) building a diversified rural financial infrastructure; and (iv) promoting a conducive policy and regulatory environment. The RFP states that “IFAD will strengthen the capacity of rural financial institutions to mobilize savings, have their costs covered and loans repaid, and make a profit to increase their saver and borrower outreach” and “IFAD’s policy will support solutions to these challenges and promote a diversity of strategies, among them: networking among microfinance institutions and establishing apex services; upgrading and mainstreaming informal finance; linking banks with local financial institutions and self-help groups; and transforming agricultural development banks.” In Egypt, these IFAD objectives remain challenges which have not been translated into practice.

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E. Community-Based Rural Infrastructure

83. **Focus.** IFAD’s only investment in community-based rural infrastructure is through SRDP, a large (USD 110 million) project co-financed by the WB approved in 1998 that operates in Sohag, a poor governorate of Southern Upper Egypt. The project has three components: local institutional development, village infrastructure and rural credit. However, SRDP is being implemented slowly and GOE is considering restructuring the project to reduce its overall scope and the amount of borrowing needed from IFAD and the WB. Two scenarios for reduced borrowing were under review at the time of the CPE mission. SRDP I is discussed in more detail in the next chapter on programme performance.

84. **Relevance.** SRDP represents a new approach to lending by IFAD in Egypt that is not only targeted at one of Egypt’s poorest governorates but also seeks to engage the rural community in deciding what infrastructure will be provided and to take responsibility for its ongoing operation and maintenance. Given the high level of poverty in Upper Egypt and the widening poverty gap between Upper and Lower Egypt, SRDP is geographically very well targeted. It is so far the only IFAD intervention in Southern Upper Egypt; where the incidence of rural poverty is highest. The underlying strategy of SRDP is to support the National Programme for Integrated Rural Development known by its Egyptian acronym “SHROUK.” SRDP aims to support provision of essential public infrastructure in areas where it is deficient or degraded through community-based and private sector initiatives. For these reasons, the relevance of SRDP is considered to be very high both with respect to targeting and supporting/influencing a large national programme. It is contextually an innovative design approach for community development in rural Egypt.

85. The design of SRDP emphasizes active community participation in infrastructure needs assessment and prioritization, and for the first time, it was planned that local NGOs would be actively involved in the SHROUK programme. Sub-projects were expected to be implemented through partnerships between local governments and community organizations with beneficiaries contributing about 25% to capital costs, mostly in the form of donated land and labour, and covering all incremental O&M costs. Agreement of an acceptable village O&M plan was to be an important criterion for determining eligibility for financing in a particular village, including an assessment of community financial capability and willingness to participate in O&M costs. From the perspective of enhanced stakeholder participation, SRDP is also seen as highly relevant for grassroots institution building and empowerment of the rural poor (for SRDP implementation performance see Section V-C).

F. Natural Resource Management and Environment

86. **Focus.** Matruh II is the only IFAD-supported project that is exclusively focused on natural resource management and environment in arid areas in the northwest coastal zone (NWC). The project is cofinanced with the WB and GEF and was approved in 2002. But project effectiveness has been delayed and in May 2004, in line with its review of foreign debt obligations, GOE requested both IFAD and the WB to substantially reduce the size of the loans that had been agreed – IFAD from USD 12.7 million to USD 1.5 million and the WB from USD 12.4 million to USD 4 million. GOE indicates that it will maintain the overall scale of the project using its own funds.

87. **Relevance.** In NWC agriculture is based on grazing livestock (sheep, goats and camels) and limited cropping is possible in valley floors and arroyos under conditions of low and erratic rainfall (150 mm and less) without irrigation. Fruit trees, including olives and figs are grown. The targeted community is Bedouin that lives in small settlements of related families in some poverty. The project builds on an earlier one financed by the WB. The extent to which Matruh II fits into IFAD’s overall strategy for Egypt and the strategic relevance of IFAD’s support to this project is not clear from the COSOP or the Staff Appraisal Report (SAR). While it is apparent that the NWC environment is unique and the Bedouin community is poor, why IFAD chose to target such a small and specialized group outside the bulk and mainstream of rural poverty in Egypt is hard to justify. While lessons
learned from Matruh II may be applicable outside Egypt, the extent of poverty and the socio-economic and technical problems faced by the bulk of the rural poor in Upper Egypt and the Delta are of greater national significance.

G. Beneficiary and Community Participation

88. **Focus.** IFAD’s approach to beneficiary and community participation has evolved to become critical elements of project design. Development in participation came in three phases. In the earliest projects in the 1980s there was no role for beneficiaries or communities. Beneficiaries were regarded as just recipients of project outputs and the focus of MADP and FADP was on strengthening the extension services with little attention paid then to farmers’ views in the development of either the agricultural research agenda or the means of outreach. An explicit role for community organization was created only in the second generation of projects at the beginning of the 1990s when this role was emphasized for O&M of irrigation infrastructure at the mesqa level (branch canal) in NASP. This trend was further strengthened in the mid-1990s in the design of APIP that stressed the interaction with farmers, including their representation on committees to identify the research agenda and make key decisions at the project level. All subsequent projects have made participation a central feature of project design and implementation.

89. The role of beneficiaries and communities is most highly developed in the design of SRDP and Matruh II. The SRDP was designed to support Egypt’s SHROUK, based on village participation in planning, co-financing and implementing small-scale rural development projects. The design of SRDP requires active community participation in the development of mechanisms O&M as a key project objective. Extensive needs assessment with the involvement of communities concerned and local NGOs were introduced within the framework of SHROUK. Sub-projects were to be implemented through partnerships among local governments, beneficiary communities and community organizations. In Matruh II Bedouin communities of herders and farmers are to be empowered to manage the grazing and water resources and to prioritize their needs and plan and implement solutions. A participatory planning process initiated under the first Matruh project is to be continued and strengthened.

90. **Relevance.** These developments in IFAD’s emphasis are consistent with and relevant to government policy and sound development practice. GOE has made beneficiaries central players in rural and economic development in old and newlands. On the newlands, the Mubarak Programme relies on the resilience of pioneering households to settle reclaimed desert land and form cohesive communities where none existed before. In oldlands, the need for beneficiary participation is also seen as critical for successful investment in social and physical infrastructure undertaken through the SHROUK programme and the SFD. By engaging communities, projects should better reflect their priorities, improve ownership and sustainability, and increase revenues to finance O&M. The CPE concluded that the GOE’s policy framework provides a sound environment for community and beneficiary participation within which IFAD can further develop and strengthen these practices.

91. Three formal mechanisms of community participation have been used in IFAD projects in Egypt and are relevant to the objectives of empowerment of the rural poor. The WUAs have good potential as a community-based mechanism to manage natural resources by the poor themselves. They are discussed further in chapter V. Three IFAD-financed projects in newlands (NLASP, EDASP and WNRDP) have supported formation of WUAs to take responsibility for O&M at the mesqa level. Some 7,600 settlers (21%) in completed projects and 6,100 in on-going projects (14%) have been assisted and trained to form 122 and 280 WUAs, respectively.

92. Community Development Associations (CDAs) in Egypt are community-based organizations registered with the Ministry of Social Welfare and Insurance. Most of them are small groups of men or women with limited outreach and capacity that work in a village and its related hamlets. While CDAs were often established on a voluntary basis and pre-date project interventions, others have been formed in support of projects, notably under EDNASP and WNRDP. They are relatively new, under
IFAD-supported projects, and are focused on very small enterprise development including handicraft production. Some CDAs have also supported improvement of social services in new settlements including health centers, child nurseries and kindergartens. It seems unlikely that the CDAs promoted by projects will be sustained but those established through private voluntary efforts in Minya and Sohag are demonstrating some sustainability with support from NGOs such as CARE, Confederation of European Security Services (COESS) and CRS that includes very small grants.

93. The NGO sector is not yet well developed in Egypt and there are few examples of substantive involvement of NGOs in IFAD-financed projects. The CPE mission met representatives of COESS, CARE and numerous local NGOs and CDAs and concluded that these organizations had limited experience in rural development or were absent from the rural areas where IFAD is working. Only recently did IFAD seek to include NGOs in its programme in Egypt and to promote collaboration with the private sector. IFAD project design seems to recognize that the weak supply of goods and services (including financial services) in newlands areas stems from prior dependence on government and limited private and cooperative sector development. However, IFAD has not been able, so far, to identify development partners to implement this approach and PBDAH has not developed its capacity to work with NGOs.

H. Gender Aspects

94. **Focus.** Almost half the active female population in Egypt is engaged in agriculture and many rural households have women at the head. Women participate in most facets of agriculture from planting to marketing and livestock is an area where women are prominent. They participate in agricultural processing that includes handcrafts based on agricultural by-products. In newlands women play an even more prominent role. Women graduates have received special land allocations that have raised substantially the profile of women. Overall since the mid-1980s policy reforms in Egypt and other changes have affected the status of women in diverse ways. These reforms include economic liberalization, privatization and increased links to the global economy. While these changes opened up the economy and provided new opportunities on the labour market, they put women at a disadvantage since they are less able than men to compete in the new marketplace. Women are constrained by lower levels of literacy, large families, and poor access to resources that could raise their incomes and competitiveness. Women in Upper Egypt are at a greater disadvantage than women in other regions and rural women in Upper Egypt are the most disadvantaged.

95. The special status of women and their contribution to agriculture has always been recognized in IFAD project designs in Egypt, as early as 1982 in MADP. But despite this early recognition, actual gender targeting in IFAD projects was limited to a few components and early projects took a conservative approach to the inclusion of women. However, it became apparent that this had little impact on women and the 1994 GIM stressed the need to mainstream women’s activities. This was reinforced in 2000 by the COSOP that stated that more attention would be given to women in farm and off-farm activities.

96. **Relevance.** Overall, IFAD project designs in Egypt have been uneven in their approach to women and in the relevance of their objectives to women’s needs. MADP and FADP specified that village extension workers would make special efforts to include women in their contact groups and ensure that contact farmers relayed information to both men and women farmers. Where possible, women extension agents would be recruited to promote small livestock enterprises but extension messages would be channeled to women mainly by men. This feature hardly proved relevant in the socio-cultural context of rural Egypt. APIP’s Appraisal Report reconfirmed that rural women played a vital role in crop and livestock production but received little assistance. It addressed this by calling for the creation of a special branch within the extension service staffed by women extension officers to deal exclusively with women’s group formation and training.

97. SRDP recognizes the need to widen the scope of women’s activities and provides an opportunity to identify project activities through a participatory process that engaged women more
fully. The project was designed to benefit rural women by promoting their representation in the SHROUK process and through provision of microcredits. Matruh II also includes a special component to ensure that women are integrated into the community planning process and to address their special needs and interests. It is planned that implementation of the women’s development programme will be based on contractual agreements between the women and men in the community.

98. While IFAD recognizes rightly that the social and cultural context in rural Egypt today puts limits on what it can expect to achieve, project design overall did not place gender issues in the forefront and focused more on a WID approach rather than gender mainstreaming. One of the contributing reasons is that there has been, so far, little hard analysis of the WID and gender aspects in IFAD’s programme as a whole, aside from the sporadic project-level gender analysis in the available evaluation reports. The 2003 Country Portfolio Review (CPR) mentioned women only with respect to the lack of access to the formal financial sector and in the context of the design of Matruh II. In recognition of this fact, and to improve performance in gender, two IFAD grants to assist the projects in reaching rural women have been approved for Egypt, but they have not been fully implemented yet and their experience must be reviewed at a later stage.

V. PROGRAMME PERFORMANCE AND IMPACT

99. This chapter discusses the performance of IFAD’s lending programme in Egypt in terms of its policy effects, effectiveness and impact. Findings on project performance are divided in this report into those based on the desk review of documents relating to the completed projects (covering largely the 1980s and early-1990s) and those based on the CPE mission fieldwork on the ongoing projects.

A. Evidence from Closed Projects

Policy Effects

100. The policy effects of IFAD’s earliest activities in Egypt are negligible reflecting the very low level of attention given to policy dialogue at that time within IFAD. The 1979 PIM and the 1989 GIM do not identify engagement in policy dialogue as an IFAD objective. While these earlier missions provided some contextual information on the prevailing economic policies at the time, they set out to identify specific investment opportunities that fit the prevailing circumstances and were likely to be acceptable to the GOE. While IFAD’s concern was for small farmers, it did not seek to influence the policies or strategies of GOE, but to accept them and work within them as a new donor partner. Equally, IFAD at that time did not attempt to work closely with other donors nor did it influence or leverage their activities through partnership.

101. Even by 1994 when IFAD had completed its third major identification mission to Egypt in 15 years and the GOE had prepared a major strategy report for the 1990s with support from the WB and FAO (WB, 1992) the objective of policy dialogue and influence was still not explicit in IFAD’s approach. Some prevailing policy priorities were identified and IFAD sought to address them through its project work.13 Aside from that, the 1994 GIM restricts itself to commenting on policy issues and does not express the need for IFAD to help shape them. Policy dialogue as an IFAD objective arrives only with the COSOP in 2000 following 20 years in projects.

102. In the COSOP IFAD identifies four areas for policy dialogue: (i) rural finance; (ii) PIM; (iii) marketing; and (iv) sustainability of extension services when project funding is no longer available. The COSOP recognizes that there are major problems in the provision of saving and credit services in rural Egypt, notably, how to serve the poor. The COSOP concluded that while it should not aim to reform the financial sector, it should set an example and lead the way in working with PBDAC

13 E.g. more intensive research and extension on soil management on oldlands, maximizing returns from reclaimed lands, and ending the separation of responsibilities for newlands and oldlands and establishing a unified extension system for Egypt as a whole.
to serve the rural poor effectively and in ways that will influence other donors. In irrigation and water management, the COSOP identifies the opportunity for IFAD to use its experience to influence how the GOE designs and influences its policies for involving WUAs and applying PIM, especially in newlands where PIM is not yet fully operational. IFAD also identified the need to facilitate discussions between the GOE and the private sector to promote cooperation in marketing and bring private sector traders to the newlands to serve small farmers. Lastly, IFAD sought to identify the means to keep extension services viable when projects close. Projects provide a level of incentives that motivate extension workers that the GOE is unable to sustain from normal budgetary allocations. This includes especially extension services to newlands that are not yet formally established. These clear and well-defined objectives for policy dialogue did not fully materialize in practice.

Effectiveness of Closed Projects

103. Project completion reports have been prepared for all four closed projects, interim evaluations for WBSP, MADP and FADP, and a mid-term evaluation report is available for NASP. A summary assessment of the findings of the reports of closed projects is presented next.

104. West Beheira Settlement Project (WBSP). WBSP was the first IFAD-supported project in Egypt. It set out to restructure a large, mechanized state farm, to allocate the land to small farm households, and to improve irrigation infrastructure and water management in an area of the Delta subject to problems of soil salinity and waterlogging. The 1993 interim evaluation of WBSP concluded that the project fulfilled its main objectives despite major delays. However, WBSP closed eight years later than planned as result of delayed procurement and protracted wrangling over design issues. While the project made a small contribution to national food security, it increased productivity substantially on 9 500 feddans of land in the project area. The project successfully resettled more than 1 700 families whose incomes rose substantially. This was achieved largely by providing technical solutions to waterlogging and salinity problems and lowering the water table at a time when agricultural markets were being liberalized. The results of WBSP were regarded as environmentally positive.

105. IFAD’s interim evaluation concluded that the project rationale was relevant and the project showed that a state farm could be dismantled and the assets successfully redistributed to small farmers. Although the interim evaluation made no explicit measurement of efficiency, aggregate project expenditure per household was very large – more than USD 11 100 per household – a level of cost that in retrospect seems hard to justify. Institutional development was negligible and the project’s expectation of cooperation among competing agencies was unrealistic. Given the positive evolution of a prosperous economy of the West Delta, sustainability could be summarized as likely despite emerging water quality issues, the top-down management of the irrigation systems, and the unrealistic expectation that a former production cooperative would become an efficient future source of farm credit. The project credit component was not implemented and credit funds were reallocated to infrastructure.

106. Minya Agricultural Development Project (MADP). Like WBSP, the rationale of MADP was based on the prevailing GOE goal of improved self-sufficiency in agricultural products. The project premise was that while farm technologies were sound, they were not well communicated to farmers. MADP aimed to improve small farm productivity by strengthening agricultural extension services and linking them more effectively to research and by supplying credit to small farmers. The project targeted small farms – those with less than three feddans – which included 81% of all farms and did not discriminate in favour of the very poor or landless. A classic T&V approach was introduced that was active when staff were motivated by financial incentives and the supply of relevant extension messages was full.

107. MADP’s interim evaluation in 1992 concluded that overall the project performed well, farm output increased and the agricultural extension system was strengthened. However, implementation was extremely slow; MADP was implemented over 17 years (seven years beyond the interim
evaluation which was seen as grounds to continue MADP) and closed ten years later than originally planned. Despite the long period of implementation, weak monitoring meant that the extent to which productivity improvements among the target group were attributable to the project is unknown. The extension system was considered to have been strengthened but it was still considered “fragile” at project closing. Some institutional development had taken place because links between the research and extension services were improved. But sustainability of system improvements was uncertain given the GOE’s inability to address overstaffing in the public service or to finance high levels of incentives for field workers without external, project-based support. The interim evaluation concluded that the credit component was poorly conceived: smallholder farmers were not able to invest in mechanization as planned and subsidized credit was used by larger, more influential landowners. MADP gave no special attention to participation or to women apart from the recruitment of a small number of female extension agents.

108. **Fayoum Agricultural Development Project (FADP).** The rationale and objectives of FADP were similar to those of MADP, but FADP was implemented much faster – closing after only a three-year delay in 1993. The interim evaluation focused on technology transfer and the supply of credit to small farmers, the key elements of the project. The evaluation findings are similar to those of MADP that suggest the overall project outcome was satisfactory. However, the number of target farmers supported under the project was 23% lower than planned (24 100 versus 31 000) and while agricultural productivity improved in line with SAR expectations, how much improvement was attributable to FADP was unknown. The extension service was strengthened, but at project closing it too was still regarded as “fragile” and in need of incremental incentives if it was to continue to perform at the level achieved during the life of the project. The project emphasized crop production over livestock and lacking their own extension programme, women farmers were not served.

109. Like MADP, the rationale for the credit component was faulty since small farmers were unable to use mechanical equipment and larger farmers used their social and political influence to acquire the majority of the credit provided. The main line of credit (for machinery) was poorly conceived, but the secondary line of credit (for livestock) indicated that credit could be directed successfully to small farmers provided suitable purposes and instruments are defined. However, while some 19 000 small loans were made, 51% of them were fraudulent and many were used for consumption purposes during a period of acute national economic difficulty.

110. **Newlands Agricultural Services Project (NASP).** NASP was the second project supported by IFAD that focused on providing agricultural services to settlement in newlands of the Nile Delta. A mid-term evaluation of NASP was completed in 1999 and a project completion report was done in 2001. The mid-term evaluation indicated that NASP faced three key problems: (i) a shortage of funds caused by the requirement to undertake unplanned and extensive remedial works to the irrigation system; (ii) slow disbursement of the credit component; and (iii) lack of attention to likely project sustainability.

111. Despite initial implementation delays, the project closed on time and the loan was fully disbursed. By project closing it had achieved its main goal of providing services to 35 000 household settlers on 170 000 feddans of newlands. Delays were attributed to delays in settlement, deficiencies in irrigation infrastructure which required remedial action by the project and long negotiations between GOE and PBDAC relating to the implementation of the credit component.

112. Many positive results were seen in IFAD-supported settlements - yields improved, production and income increased substantially, positive shifts in cropping intensity and cropping patterns took place, new employment was created and absenteeism by settlers fell sharply. The project also implemented a large infrastructure component, rehabilitating pumps and irrigation system controls that had not been originally planned or appraised. This was made possible through reallocation of funds partly from the credit component. Implementation of the credit component was problematic. Only 7 000 of the 30 000 borrowers targeted in the SAR were served. Loan repayments at project closing were poor and declining to critically low levels, below 50%. Improvements to the village banking
system were below expectations. Progress in development activities for women was modest (four women’s extension centers were opened) and the project did not treat the female population as a major asset in the development of new communities able to contribute to the settlement process and broaden the sources of family income. A major contribution of the project is the establishment of a number of self-funding facilities that are still operating (research stations and soil laboratories) offering services to both settlers and investors. The project completion report stated that project management was satisfactory.

113. By completion the project had assisted some 7,570 settlers to form and register 122 WUAs at mesqa level and be in charge of operation and maintenance of 31,700 feddans. The number of settlers who were members of WUAs was only 19% of the total, but the majority of farmers were members of agricultural co-operatives and participated in water management activities. For formation of WUAs the project adopted the methodologies, approaches and structured training programmes developed and used by MWRI. While support for these associations was relevant, their effectiveness and sustainability is not yet guaranteed.

B. Findings and Recommendations from Closed Projects

114. A review of the evaluation reports of the four closed projects in Egypt (WBSP, MADP, FADP, and NASP) indicates a mixed performance. The CPE judged the performance of these projects overall as moderately successful. While the evaluation reports stress the positive, the closed projects achieved only partly their main objectives and none of the credit components succeeded. Overall project effectiveness was lower than planned for three main reasons. First, implementation everywhere (except for NASP) was slower than planned and two projects (WBSP and MADP) experienced major delays. The elapsed time between project effectiveness and project closing was 11, 16, 8 and 7 years for WBSP, MADP, FADP, and NASP, respectively. Second, both IFAD and the GOE agreed to finance unplanned activities from project funds and to delay planned expenditures. This showed flexibility and allowed funds to be disbursed more or less fully (93% to 100%) but resulted at least partly from weaknesses in project design and delayed project benefits significantly. Planned support for institutional development was more than once reassigned to infrastructure and funds committed to technical assistance were not used for that purpose. Third, achievements with respect to social capital and human development objectives – notably with respect to women – were below expectations. The needs of women farmers were either not adequately addressed during project preparation, or if they were, they were only partly met during implementation.

115. The evaluation of closed projects is hampered in part because older evaluation reports do not provide clear summary conclusions on key parameters such as effectiveness, efficiency, institutional development and sustainability. Nor do they apply a clear, well-defined methodology and evaluation criteria as has been the case in the IFAD’s evaluation undertaken since 2002. All closed projects had weak monitoring and evaluation (M&E) and IFAD evaluations teams in Egypt all note that performance measurement is handicapped by weak M&E systems and the absence of baseline information. In WBSP, despite repeated urging by supervision missions, M&E was largely ignored. In MADP, there was no M&E for the first four years of project life and a weak M&E unit was established only after a Dutch grant was provided to the project. FADP and NASP both had weak M&E systems introduced late in project implementation. In NASP, the preparation of a logframe for the project came only after the mid-term evaluation.

116. Lessons from Closed Projects. The value of the lessons highlighted in these reports depends on how well they were learned and how much they influenced future projects. Notably, they include the following. First, to avoid delays in implementation in newlands projects, IFAD should avoid investing in capital-intensive projects and working with infrastructure that is incomplete, deficient or ill-designed for operation by small farmers, or likely to be subject to lengthy procurement procedures. This lesson was apparently learned in the 1980s and un-learned in the 1990s (see paragraph 130).
117. Second, newlands settlements often lack essential social infrastructure and services (drinking water systems, sanitation, schools and health centers). In most newlands zones, irrigation development has proceeded faster than social development and many new communities have gaps in social infrastructure and services that make them unattractive to settlers even 10 to 15 years after their establishment. IFAD should avoid working under these conditions because pressure will be brought to bear to close the gaps, the time frame for sustainable development will be very long, and investments in agriculture could exacerbate social problems.

118. Third, any project that involves irrigation should develop WUAs as prerequisites. While WUAs are not able to solve complex problems of water allocations, they can provide valuable channels of communication with the government and get O&M done at the level of the watercourse (the mesqa).

119. Fourth, agricultural research and extension must be effectively linked and traditional, top-down systems are unlikely to be successful. At the same time, extension systems need to get beyond the traditional cooperatives and work via village extension workers through lead farmers – including women farmers – in systems that include two-way communication, i.e., listening to farmers and responding to their requests, criticisms and observations. Public extension services can be supplemented by the private sector.

120. Fifth, in an extension system with many low-paid workers, financial incentives are needed to motivate them and make the system work. But using project funds in this way raises questions of continuity when project funds are no longer available. Projects that seek to improve agricultural research and extension need therefore to work in three phases: a training phase, a development phase, and a withdrawal phase that includes an exit strategy that addresses incentives and staff retention.

121. Sixth, credit for the poor, women and the landless is problematic for a number of reasons. In newlands areas, settlers are high-risk farmers who lack assets and collateral and are unlikely to qualify for formal credit provided through PBDAC and the BDACs and a new approach is needed. However, evidence elsewhere indicates that the poor can be good credit risks. Credit products and terms, and appropriate financial services, need to be reviewed and adapted to their needs. Provision of credit at below-market rates of interest usually does not reach the poor and market rates are needed if rural financial institutions are to become sustainable.

122. Seventh, gender aspects of development activities need to be more responsive to women as economic actors and address their need for productive, income-earning activities. More women need to be hired to serve women farmers and far more awareness needs to be raised among men of the difficulties faced by women as farmers, traders and operators of SMEs.

123. Eighth, more training is needed in managing development projects. This training has to be targeted at the right trainees, focused (on the right topics) and continuous (reinforced). Management training must focus on improvements in M&E that are badly needed.

124. Lastly, from the perspective of project administration, IFAD projects in Egypt require efficient leadership and coordination at the national (central) level combined with effective implementation at the governorate and district levels. Project funding needs to be managed to be available as, when and where it is needed.

C. Effectiveness of Projects under Implementation

125. Through its field visits, focused group discussions and interviews with more than 700 beneficiaries in the ongoing projects as well as an intensive review of project designs and implementation documents, the CPE team has drawn a number of conclusions relating to the four ongoing projects: EDNASP, WNRDP in the Delta on newlands; APIP in Northern Upper Egypt on
oldlands; and SRDP, in the Sohag Governorate of Southern Upper Egypt. The CPE mission also visited and reviewed Matruh II in the northwest coast zone, a project that is not yet effective.

**East Delta Newlands Agricultural Services Project (EDNASP)**

126. EDNASP was identified in 1994, approved in December 1996, became effective in January 1999 and began implementation in earnest in 2000. The project is co-financed with the WB and provides services to support settlement of 26,000 low income families on 130,000 feddans of land being reclaimed in the East Delta. In addition, the project supports construction of tertiary canals serving 20,000 feddans and drinking water supplies, including a treatment plant to serve 50,000 people. The total cost of irrigation and drinking water supply infrastructure at appraisal was estimated at about USD 30.6 million, or about 40% of the project base cost. The cost of the tertiary canal system was estimated globally and its location was not identified at appraisal. All other infrastructure, including irrigation and drainage systems, housing, electricity and access roads were to be financed by the government.

127. Slow implementation in a technically and socially complex environment means that implementation progress on the ground is less than planned and after four years of implementation, disbursement has reached only 31%. By 2000, the 20,000 feddans of tertiary infrastructure for project smallholders had not been completed as planned and acute drainage problems are evident. The groundwater table in the project area had risen and waterlogging is apparent. A review of project infrastructure in 2001 made recommendations to remove the drainage bottlenecks. This required the upgrading of four pumping stations at a cost of USD 15.3 million that was not foreseen at appraisal and the government share of the project budget was realigned to pay for this.

128. Water supply is also a problem and temporary pumping facilities have been installed to divert water to the project area for the next five to ten years or until the Salam Canal is flowing at its design capacity. The pre-appraisal mission identified this problem in July 1995, but the solutions proposed then were not acceptable to government and the issue was not pursued further. As a result, the 20,000 feddans tertiary system development could only be identified in 2002 and this work will not be completed until mid-2005. By 2003, 62,000 of the 130,000 feddans targeted were cultivated and the remaining 68,000 feddans were at different stages of reclamation.

129. Under EDNASP’s Community Development Unit, 250 WUAs were formed at the mesqa level covering 18,100 feddans and involving 4,500 farmers. The project has also established five WUAs at branch canal level including three with support from a Technical Assistance Grant from IFAD. An Irrigation and Drainage Committee was also formed to improve communication between smallholder settlers and government, including those officials responsible for irrigation and agriculture in the project area. This Committee also provides a forum for dialogue between irrigation and agricultural officers who work in the project area.

130. Following an Implementation Review Mission in November 2002, EDNASP was restructured. To deal with infrastructure constraints, funds from the credit component were reallocated to civil works and equipment. The Civil Work Category of the Loan Agreement was increased by 47% from SDR 6.23 million to SDR 9.19 million, and the ceiling of Equipment Category by 107%, from SDR 2.08 million to SDR 4.32 million. The project completion date was extended to December 31, 2005.

131. The rationale and objectives of EDNASP are no doubt relevant. The project supports a key objective of government and provides the opportunity to put IFAD’s experience in providing agricultural services to new settlements to work in a new area. But the project is neither designed nor implemented in accordance with IFAD’s prior experience of lessons learned. The GIM of 1994 clearly states that IFAD should make no further investment in basic infrastructure that should be complete before projects begin or financed by GOE or other partners. However, almost 40% of the project’s base cost at appraisal was allocated to infrastructure and this has grown further as water supply and drainage weaknesses have become apparent.
132. Implementation of land reclamation and the drinking water infrastructure is well underway, but not yet completed, so their effectiveness cannot be evaluated. The land reclamation techniques being used have been applied successfully in adjacent areas, but reclamation is a long process that must run its full course. Judging by the experience of IFAD in the two successive projects in West Delta, the increase in land productivity and yield after reclamation is substantial and very likely to make up for initial investments. In the case of East Delta, depending on soil characteristics, leaching may take from 6 month to two years before the first crop can be planted. It then requires from six to ten years to reach the maximum potential crop yield. If land reclamation activities funded by the project are completed in mid-2005, there may be enough time to cultivate the land just once before project completion at the end of that year.

*West Noubarya Rural Development Project (WNRDP)*

133. WNRDP was approved in 2002 and became effective in 2003 making it too new for performance evaluation. Co-financed with the IDS, the project seeks to enhance livelihoods of the target population by supporting community organization, credit, technical services and marketing. Project activities are implemented in the two West Delta reclamation zones of Bustan Extension and Branch 20 that include some 16 780 households in 19 villages farming 56 000 feddans. WNRDP continues the work of two earlier newlands projects in West Delta and partially overlaps with their project areas.

134. Using the participatory approach of the SHROUK programme, the project will upgrade the existing low-cost housing and provide essential public services. Some 4 850 sub-standard settler houses are due to be improved to correct structural deficiencies, improve sanitation and provide basic water and power supplies. These houses were poorly constructed and in a state of disrepair. At the time of the CPE mission, 1 250 houses had been substantially improved and another 1 250 were under reconstruction. Workmanship was satisfactory and the settlers were pleased with the results. The cost of upgrading is co-financed by the IDS.

135. The project supports formation and training of WUAs to be carried out under contract by experienced local consultants. Formation of an estimated 15 WUAs per year is planned over six years and training will be provided to all WUAs in the project area. Thirty-one WUAs have been formed to date. WUA members who take loans to repair pumping units or purchase spare parts will be eligible for matching grants up to 50% of the cost of repair. The project will support the repair of 3 000 pumping units.

136. Project support for the formation and training of WUAs, repair and replacement of pumps, and renovation and upgrading of housing facilities for the smallholders and settlers are all highly relevant to the needs of poor settlers and the project provides a coherent package of support. But given the observed increased water logging and salinity in the project area a reconnaissance survey of the affected areas has been requested to FAO\(^{14}\). The project will also finance a drainage study that will include preparation of technical proposals for the remedial works that may be required. While the remedial works are expected to be outside the scope of the WNRDP, IFAD should resist being drawn yet again into closing unforeseen gaps in irrigation and drainage infrastructure.

137. WNRDP includes a credit component of USD 16.7 million that accounts for 41.1% of IFAD’s financing. Twelve months after project effectiveness the details of how this component will be implemented are still under negotiation. Project documents indicate only in a general way how the credit component will be implemented and make no reference to PBDAC, IFAD’s long-standing partner and the only bank in the area. Instead “credit will be channelled to project beneficiaries through credit retailers such as NGOs, cooperatives and farmers’ organizations… selected competitively… A subsidiary agreement between the MALR and the agent bank (unspecified) will be

\(^{14}\) The survey was planned but not undertaken.
concluded that spells out lending rates and targeting mechanisms, as well as risk guarantees.” There is also no indication how the project will apply this novel approach without a major technical assistance component.

138. At the time of the CPE mission, the BDAC assumed that it would implement the credit component. The BDAC would expect to apply an interest rate of about 14% p.a., equivalent to PBDAC’s own effective annual interest rate for short- and medium-term loans. However, this would conflict with the subsidized lending at 3.5% already available from several sources in the project area. This situation presents conflicts that have existed before in other projects and for which no solution is in sight – who will implement it? and how? – and the credit component may fail again to be implemented because critical design issues were ignored during preparation.

**Agricultural Productivity Intensification Project (APIP)**

139. The one IFAD-supported agricultural research and extension project under implementation now is APIP. This project was approved in 1994 and became effective in 1995. It operates in three Northern Upper Egypt governorates (Fayoum, Minya and Beni Suef) and is due to close at the end of 2004. About 90% of project funds have been disbursed. APIP was designed to have two functional components – agricultural research and extension (47%) and credit (50%) – and a project coordination unit.

140. With respect to agricultural research, APIP built on MADP and FADP but differed from the earlier projects in that it supported an FSR approach promoted by the regional research station at Seds. The purpose is to be more responsive to farmers, be able to address small farm as entities that combine crops and livestock and maximize overall farm income. An FSR unit of 11 people was established at Seds in 1996 and additional Agricultural Research Council staff supported this effort. Thirteen farm models have been developed and tested over 206 sites in the three project governorates and based on the field results, four farm models have been selected and are being extended in each governorate. The FSR sites have been used for demonstration and training purposes and the FSR unit expects to continue the programme with greater involvement of rural women and a new emphasis on water use efficiency. While the FSR approach is not a novelty, per se, IFAD’s support to this relevant contextual innovation helped to foster its implementation and created a large scope for replication and scaling up.

141. With respect to extension, APIP’s approach follows MADP and FADP. Activity-based incentives are used to motivate workers, augmented by farmer field schools and more direct attention to women. Under APIP, the number of farm households served by VEWs has been raised from about 200 to 450. Recent expansion of the area served by the project as it approaches completion raises issues for sustainability. It is uncertain whether GOE can continue to provide incentives to workers at a high enough level in the absence of a donor-funded project.

142. Aggregate data at governorate levels indicate that yields of main crops and diversification have both substantially increased in line with appraisal estimates but the extent to which these changes can be attributed to the project is difficult to establish with certainty. Performance with respect to farm productivity and income cannot be assessed accurately in the absence of baseline data and a functioning M&E system. Comparable changes have been recorded in some non-project governorates, such as Assyut, and policy and price changes have taken place over the life of the agricultural development projects (MADP, FADP and APIP) that have promoted growth in productivity and diversification. Nevertheless, the CPE field work confirms that the project has no doubt played an important role in the remarkable increase in yields over its implementation period.

143. The approved cost of the rural credit component of APIP was USD 17.0 million, accounting for 50% of total project costs. Among all ongoing projects the credit component of APIP is the only one that appears to be working well with 65 000 mainly short-term loans disbursed and a 97% repayment rate. But the three BDACs retailing credit under APIP have required collateral from all their borrowers, including women and the landless, and the target groups identified in APIP’s
preparation and appraisal documents have not been reached. In addition, APIP credit is loaned at rates below the market rate of interest and BDAC’s costs, reducing the overall viability of the rural banks. The impact of this component is discussed in more detail in this chapter in the section below on Financial Assets.

Sohag Rural Development Project (SRDP)

144. SRDP was the product of a seven-year gestation process that began with the GIM of 1994, went for approval in 1998 and became effective in mid-2001. SRDP is a large (more than USD 110 million), community-based rural infrastructure project that in a poor governorate that complements the National Rural Development Programme commonly known as SHROUK. The SRDP approach is unique in the Egypt’s project portfolio, was contextually innovative in its design and held at the time of design, high promises for future replication. It is the only IFAD supported project in a poor governorate in Southern Upper Egypt. The project aims to raise the capacity of rural communities and their local governments to plan, implement, operate and maintain infrastructure projects. The project is expected to improve physical and social infrastructure through investments identified across 1 500 villages and hamlets. Communities will also share in the cost of works and commit to responsibility for their O&M. The project was also designed to have a large rural credit component targeted at the rural poor, unemployed youth and women.

145. This innovative and ambitious project has got off to a very slow start. Very little infrastructure has been completed and after three years of implementation, disbursement has reached 12.5%. Little investment has been made in training communities to implement participatory approaches to sub-project planning and execution, and most participation relies on a representative approach through committees made up of elected officials and leaders of community development associations. For such a large and decentralized project, the project management unit (PMU) is small and despite the presence of a technical assistance team, the level of guidance and oversight able to be provided is small compared to the project’s financial and geographic scope and the difficulty of working in rural areas of a poor governorate. It is unlikely that SRDP will complete its activities within the project period and the CPE recommends that the project should be reviewed and restructured. A much higher level of training and technical assistance is required if SRDP is to successfully develop a high level of accountable local ownership of sub-projects. Additional challenges include the availability of counterpart funding and the limitations under the previous designs of the credit/loan agreements.

Second Matruh Natural Resource Management Project (Matruh II)

146. Matruh II, not yet effective, is a second phase of the Matruh Resource Management Project that was supported by the WB. Matruh I demonstrated the how to tackle poverty among Bedouin communities in Egypt’s northwest coastal zone through community participation by increasing agricultural opportunities from water harvesting and reducing natural resource degradation through better management of livestock and the watersheds. Total project cost is USD 45 million, allocated to community development, natural resource management, rural roads, microfinance and project management. Matruh II would primarily target 13 000 household but also bring additional support to 22 000 household supported through Matruh I. However, even with 35 000 beneficiaries, this represents a cost of more than USD 1 400 per beneficiary family. The project is co-financed by the WB and the GEF. However, after project approval and before effectiveness, and in line with its review

15 The size of the PMU was highlighted during the 2004 mid-term review (MTR) as a constraining factor. As a response, the Sohag Governorate has allocated more staff (including the secondment of five staff from Governorate units and the Social Fund for Development) to technical construction supervision, social monitoring program and general program oversight. The MTR has also recommended an extension of the closing dates until April and June 2007 for the WB and IFAD respectively, as well as a major reallocation among the project categories, including a scaling up of the TA category.

16 Both IFAD and the World Bank have decided to amend the legal agreements (April 2004 for IDA credit, and September 2004 for IFAD loan) to address previous bottlenecks.

17 In December 2004 the loan was cancelled for both IFAD and the WB.
of international loans, GOE has decided to scale back borrowing for Matruh II proposing to use only USD 4 million from the WB and USD 1.5 million from IFAD. These reductions will be offset by increased commitments on the part of GOE.

D. Programme Impact

147. Detailed findings and conclusions about the impact of IFAD’s programme in Egypt are contained in working paper in Annex III. The CPE sought to assess impact through a process of triangulation that sought the views of project financiers, managers and implementers, and project beneficiaries. For the four closed projects, the CPE reviewed all Project Completion Reports, and interim evaluation reports. For four of the projects under implementation the CPE team reviewed progress and supervision reports and undertook intensive focus group discussions and interviews with project managers and beneficiaries. For Matruh II, which was not effective at the time of the CPE mission, the team visited the project site and met the designated project management team and some residents of the project area. During its field mission, with support from two national sociologists, the CPE team gathered and discussed the views of over 720 beneficiaries in more than 65 project area villages. This work was done through semi-structured interviews and focused group discussion during the CPE field work. The CPE results are organized according to the impact domains identified in IFAD’s methodological framework for project evaluation (IFAD, 2000b). This section highlights the main CPE findings on programme impact in terms of outreach, asset formation, community organization, environment, common resources, institutional development, and sustainability.

Outreach

148. Since 1980, eight IFAD-supported projects have been designed to have a meaningful effect on a sizeable proportion of rural households and land holdings. While it is difficult to assess the exact achieved impact of these projects and their outreach, they are meant to influence in one way or another the lives of about 1.4 million households – equal to 12% of Egypt’s rural households – and 20% of the agricultural land.

<table>
<thead>
<tr>
<th>Project</th>
<th>Area affected (feddans)</th>
<th>Households affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBSP</td>
<td>10 000</td>
<td>1 710</td>
</tr>
<tr>
<td>MADP</td>
<td>447 900</td>
<td>330 000</td>
</tr>
<tr>
<td>FADP</td>
<td>126 840</td>
<td>3 000</td>
</tr>
<tr>
<td>NLASP</td>
<td>188 000</td>
<td>35 500</td>
</tr>
<tr>
<td>APIP</td>
<td>578 000</td>
<td>540 000</td>
</tr>
<tr>
<td>WNRDP</td>
<td>130 000</td>
<td>26 000</td>
</tr>
<tr>
<td>SRDP</td>
<td>NA</td>
<td>400 000</td>
</tr>
<tr>
<td>WNRDP</td>
<td>56 000</td>
<td>36 000</td>
</tr>
<tr>
<td>Total</td>
<td>1 536 740</td>
<td>1 400 210</td>
</tr>
</tbody>
</table>

Source: CPE Desk Review.

149. IFAD has successfully targeted small farmers (those with less than five feddans in newlands and less than three feddans in oldlands) as per its intentions in strategy and design documents. However, it has not reached nor explicitly targeted the poorest rural areas, farmers with very small or below average holdings, the landless and women. As poverty rates show, Egypt’s rural poor are concentrated in rural Upper Egypt where IFAD has allocated less than half its loans, and specifically in Southern Upper Egypt where IFAD has only one project (SRDP) with just 13% of its total loan.

150. If only agricultural development projects are counted, i.e., if SRDP is excluded, the share of IFAD loans going to Upper Egypt falls to only 29%. But in the three Upper Egypt governorates where IFAD has supported agricultural productivity improvement (Beni Suef, Fayoum and Minya) 55% of farmers are either tenants and sharecroppers, or landless labourers, i.e., they are a significant target group for IFAD. In these three governorates, the landless account for 40% of the rural population and
work as agricultural labourers and engage in livestock production. Despite their significant numbers, IFAD’s projects have not targeted them and efforts to develop livestock as a project focus have never succeeded.

<table>
<thead>
<tr>
<th>Landowners</th>
<th>Tenant and Sharecroppers</th>
<th>Landless</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beni Suef</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>118 000</td>
<td>48</td>
<td>57 900</td>
<td>23</td>
</tr>
<tr>
<td>Fayoum</td>
<td></td>
<td>17 000</td>
<td>6</td>
</tr>
<tr>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>110 400</td>
<td>41</td>
<td>224 200</td>
<td>46</td>
</tr>
<tr>
<td>Minya</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>192 100</td>
<td>39</td>
<td>75 300</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>406 500</td>
<td>40</td>
<td>1 007 800</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: CPE Elaboration from IFAD project documents.

Access to Physical Asset, Land, Water and Infrastructure

151. IFAD’s contribution to asset formation for the rural poor has been most direct in newlands projects. IFAD has contributed to community development through the provision of improved housing and essential public infrastructure including drinking water supplies, sanitation, and rural roads. Above all, improvements to the supply of irrigation water through additions to and rehabilitation of irrigation and drainage systems has underpinned the impact of IFAD’s support in increasing the poor’s access to productive physical assets. The impact of the projects in this domain is substantial most notably in NASP and WBSP, the two completed newlands projects (about 200 000 feddans).

152. The CPE mission visited new land communities served by WNRDP and the EDNASP and while gaps in public infrastructure were found, a good start had been made to closing them. However, the settlers complained of the lack of social infrastructure – including schools, health services, potable water and electricity – and it was evident that in many areas more investment must be made before they reach the same level of development as the best “old newlands.” In both EDNASP and WNRDP the quality of the original housing was low and the projects helped to improve house design and added amenities, but development of vibrant new communities is still a long process ahead.

153. IFAD’s intervention in irrigation, water supply and drainage infrastructure have been significant in terms of improving access of the settlers to the land asset. IFAD-supported projects have successfully addressed: (i) poor functioning of some parts of the irrigation and drainage systems caused by faulty design and the start-up problems of new irrigation and drainage systems; (ii) shortages of water during peak seasons and unreliable water supplies from main systems; and (iii) uneven distribution of water among end users, leading to misallocation of water at the head-ends of canals and deficiencies at the tail-ends. Progress has been significant in the West Delta.

154. In the East Delta, EDNASP is also addressing these problems, but reducing soil salinity with partly mixed drainage water from the Salam Canal is a process that will take several years beyond the life of the current project to achieve. The scope and severity of the remedial works needed were not fully identified at the time the main canal and EDNASP were appraised. Given the urgency of the work needed to enable settlers to develop their agricultural productivity and remain in the area, both NASP and EDNASP were reformulated to allocate additional funds to rectify these defaults. GOE and IFAD both need to be more aware of the weaknesses in large systems before diverting funds from institutional development to infrastructure. Doing this will require specialized technical analysis by GOE during project preparation and before appraisal.

155. In West Delta, IFAD-supported projects have largely achieved their expected impact and the area has become highly productive as soils have stabilized and settler communities have matured. However, on these “old” newlands, a problem of salinity is emerging caused by growth in the area under irrigation and the inadequate capacity of the existing drains to remove the excess water. Plans to
upgrade the drainage systems have been prepared by the MWRI to be implemented through an integrated approach that combines water quality and quantity management through inter-agency irrigation and drainage services and stakeholder consensus. Timely implementation of these plans is essential to prevent long-term damage to the soil and water resources in the area and an adverse effect on the quality of land and its productivity.

156. The experience of SRDP with respect to potential impact on physical assets through rural infrastructure has been modest so far. By mid-2004 very little actual infrastructure supported by the project has been completed and only 13% of project funds have been disbursed. Some 289 small infrastructure works were in various stages of procurement, construction or completion in the 51 local administrative units covered by the project and it is too early to assess the quality of the infrastructure itself. Reasons for the slow implementation in SRDP have been discussed earlier.

157. **Sustainability.** Some irrigation systems did not have enough water to meet needs, and tail-enders were poorly served by unequal distribution. IFAD supported the formation of WUAs to, inter alia, address this problem, on a sustainable basis, but this is not yet assured. In others, system designs made the tail ends unreachable by gravity flow. As is common in irrigation systems throughout the world, drainage was often inadequate. However, in the Nile Delta where gradients are low, the consequences of poor drainage are felt most acutely. This problem is faced in both the West and East Deltas, which will threaten the sustainability of benefits achieved through additional newlands if not systematically addressed.

158. Following difficulties in implementation in its first project in Egypt (WBSP), IFAD agreed that it would no longer support large infrastructure sub-projects. However, it has reversed this commitment twice in both NASP and EDNASP to ensure that the poor have appropriate access to quality land. By doing so, IFAD has redirected scarce resources from appraised activities to infrastructure sub-projects that should have been identified earlier and completed by GOE. In this context, IFAD has not been effective, i.e., it has not done what it set out to do and it has done what it agreed it would no longer do. Given the huge capacity of infrastructure to absorb resources and the modest number and size of IFAD investments – equivalent to USD 8.0 million annually, its contribution to large infrastructure development is bound to be marginal and should be avoided. Sustainability of impact overall will depend on GOE commitment to ensure supply and delivery of required infrastructure.

159. It is too early to assess the sustainability of SRDP potential impact. However, the approach being taken to financing O&M already raises some questions. Financial and in-kind contributions by beneficiaries help to underwrite the capital costs of sub-projects and contribute to O&M funds. But it is expected that O&M contributions will be spent on infrastructure throughout the governorate, not only in the communities where the contributions were raised. This represents a new tax on project communities that non-project communities do not pay that will lower the willingness of communities to contribute funds and decrease the likelihood of project sustainability. A dedicated, local O&M fund, combined with community mechanisms for O&M works may provide a sounder base for sub-project O&M in a society where a strong maintenance culture is not yet apparent.

160. The sustainability of impact on physical assets depends also on the larger issue of water use efficiency in Egypt. In 1955 when the agreement was made that partitions the waters of the Nile, 1 900 cubic meters per capita per year were available to Egypt. As population has grown, this figure has been cut almost in half to 936 cubic meters today, and is expected to fall to about 650 cubic meters by 2017 based on conservative forecasts of population growth. Egypt therefore is challenged to improve the efficiency and productivity of water use given a fixed supply. Pressure to expand newlands further will put increasing pressure on agricultural water and IFAD needs to examine its investments using long-term time horizons that go beyond the lifespan of projects. EDNASP illustrates many of the problems that Egypt will face in newlands development and the sustainability of project is uncertain without further investment to upgrade drainage, improve water quality and improve its use efficiency impact.
Agricultural Productivity and Food Security

161. **Impact on Yields and Production.** Improvements in National Agricultural research and extension overall have contributed to major increases in crop and livestock productivity throughout Egypt over the last three decades. However, data are not available to identify the extent to which improvements can be attributed to: (i) the research and extension system overall, compared to other factors – such as policy changes; or (ii) IFAD-supported projects (notably MADP, FADFP and APIP). However, even in areas of high productivity (oldlands of Upper Egypt) the yields of most crops continued to rise in the 1990s and since 2000, and in IFAD-supported areas the improvements in output expected at appraisal have been exceeded.

162. Lacking project M&E data, the CPE tried to estimate the net increase in productivity of major crops from other sources. The overall picture that emerges shows that there have been unprecedented increases in yields in newlands areas (recognizing that they start from a lower base) and substantial increases on oldlands for wheat, maize, rice, clover (berseem), and vegetables. While, these increases cannot be exclusively attributed to the projects supported by IFAD, the large investments in research and extension though these projects have no doubt played an important role. In most cases, production increases have surpassed the appraisal estimates indicating a possibly higher economic rate of return (ERR) than projected at appraisal, but this has been, at least partly, offset by significant delays in implementation that would have lowered the discounted value of project benefits.

Table 11: Average level of yield increase of main crops in areas covered by IFAD-supported projects (1985-2003)

<table>
<thead>
<tr>
<th>Project</th>
<th>Wheat</th>
<th>Maize</th>
<th>Cotton</th>
<th>Clover</th>
<th>Other Crops</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBSP</td>
<td>316%</td>
<td>600%</td>
<td></td>
<td>357%</td>
<td>400%</td>
</tr>
<tr>
<td>MADP</td>
<td>56%</td>
<td>40%</td>
<td>-18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FADP</td>
<td>27%</td>
<td>33%</td>
<td>-1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NLASP</td>
<td>130%</td>
<td>114%</td>
<td></td>
<td>120%</td>
<td>&gt;200%</td>
</tr>
<tr>
<td>APIP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDNASP</td>
<td>100%</td>
<td></td>
<td>67%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>SRDP</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WNRDP</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Staff Appraisal Reports, Project Completion Reports, Interim Evaluations, MALR Annual Statistics

163. Interviews with project area farmers during the CPE confirmed substantial yield increases consistent with the information contained in evaluation reports of closed projects. Cropping intensity also increased in all projects with agricultural components, but the increase cannot be attributed to project interventions alone since yields have risen throughout Egypt as a result of broad policy and technical changes. The CPE mission was not able to compare productivity changes “before and after” and “with and without” IFAD-supported projects. A comparison based on official statistics from four project area governorates in lower Noubarya (NASP and WNRDP), Upper Egypt and Assyut and Beheira governorate – which was not supported by IFAD projects – shows little difference in growth in the average yield of wheat; but Minya as well as Noubarya two governorates, benefiting from two successive IFAD projects, achieved the highest relative increase in yields between 1985 and 2003 indicating the positive role of IFAD-supported projects. The implication for food security is likely to be equally positive. This data indicate that while increase in yields has been a common phenomenon in Egypt, IFAD projects made a difference in the respective project areas. This is further substantiated by the high adoption rates (exceeding appraisal expectations) of project recommended technology reported in Minya, Fayoum, and Noubarya.
Table 12: Average wheat yield (tons per feddan) of six governorates (1985-2003)

<table>
<thead>
<tr>
<th></th>
<th>Fayoum</th>
<th>Beni Suef</th>
<th>Minya</th>
<th>Assyut</th>
<th>Noubarya</th>
<th>Beheira</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>1.5</td>
<td>1.7</td>
<td>1.5</td>
<td>1.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>2.3</td>
<td>2.5</td>
<td>2.4</td>
<td>2.3</td>
<td>1.1</td>
<td>2.1</td>
</tr>
<tr>
<td>1995</td>
<td>2.4</td>
<td>2.3</td>
<td>2.7</td>
<td>2.4</td>
<td>1.7</td>
<td>2.5</td>
</tr>
<tr>
<td>2000</td>
<td>2.5</td>
<td>2.6</td>
<td>3.0</td>
<td>2.7</td>
<td>2.0</td>
<td>2.7</td>
</tr>
<tr>
<td>2003</td>
<td>2.8</td>
<td>2.9</td>
<td>3.1</td>
<td>2.9</td>
<td>2.1</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Source: MALR

164. IFAD documents indicate the importance of livestock to small farmers, especially women and the landless. However, less than 3% of all IFAD project support has been committed to livestock development. Information on changes in livestock productivity is also limited to governorate aggregates. While the number of project-supported activities undertaken (such as training sessions provided, cows inseminated, and sick animals treated) is known, M&E weaknesses mean that there is no good project-based data available on output changes or outcomes. Governorate data show that productivity increases of milking cows in project governorates has been very high; it has more or less doubled between 1995 and 2003, but how much of this is attributable to improved agricultural research or extension or to other project-supported activities, is also unknown but likely to be small given the modest financial commitments.

Table 13: Livestock Yields in Project Governorates

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of cows</td>
<td>Yield per cow (tons)</td>
</tr>
<tr>
<td>Minya</td>
<td>166400</td>
<td>0.50</td>
</tr>
<tr>
<td>Fayoum</td>
<td>113000</td>
<td>0.45</td>
</tr>
<tr>
<td>Beni Suef</td>
<td>178200</td>
<td>0.45</td>
</tr>
<tr>
<td>W. Noubarya</td>
<td>27600</td>
<td>1.69</td>
</tr>
</tbody>
</table>

Source: MALR

165. Sustainability. While improvements in productivity (and food security) attributable to project support can be reasonably demonstrated, the sustainability of the systems supported by IFAD is uncertain. Improvements that intensify extension system knowledge and activity will be short-lived if the financial incentives needed to make extension workers active also end when projects close. Clearly, the efficiency of these systems will be enhanced if the number of farmers served per extension worker (now about 1:450 in IFAD-supported projects) can be further increased. Equally, the net cost to the public of servicing farmers will fall if fees are introduced for public services or services are transferred to the private sector. However, IFAD’s target farmers are poor and there is a deep-seated reluctance in GOE to charge small farmers for extension services – even when they are profitable. There is also an unwillingness to turn over extension work to the private sector when so many public sector employees are engaged in extension and where effective private models of operation have not been fully demonstrated. This should be an area for future investigation by IFAD.

166. Notwithstanding, the likelihood for sustainability may improve as pressure grows to use water more efficiently and the focus of agricultural research and extension shifts even further from staple crops for domestic consumption to high-value crops for export. Although still largely unpriced, water is Egypt’s scarcest factor of agricultural production and competition for agricultural water is growing quickly. Research efforts are urgently needed to develop more water-efficient production technologies and the need to charge for services associated with water delivery – if not for water itself – will grow. At the same time, high value horticulture is expanding and research is needed to develop products that meet the quality standards of domestic and foreign markets. Much of this knowledge rests with the private sector and means have to be found to address small farmers and enable them to raise their farm- and off-farm incomes. This is an issue that is very high on the agenda of GOE.
167. The recent growth in FSR supported by APIP is indeed promising, but a more complete judgment on its likely impact and sustainability should be based on the results of the assessment being carried out in 2004 by MALR. If that assessment proves positive, then consideration should be given to extending further the APIP-supported FSR model that unifies agricultural research and extension in a farmer-based system of crop and livestock development applicable to poor governorates of Upper Egypt. Future sustainability of FSR will also depend on how well national research centers are integrated and linked with this system and solve basic research issues.

Access to Financial Assets

168. The impact of IFAD’s support for rural credit in terms of increasing the poor’s access to financial assets has been modest overall and negligible in more recent projects. Credit has been a significant component of all IFAD-supported projects in Egypt accounting for 40% of all loan funds committed. However, the level of lending proposed was not achieved and the credit components in many projects were reduced in size. For projects for which data are available, IFAD funds have supported some 92,700 loans worth about USD 30.0 million at current exchange rates. While these are large numbers, they are well below the planned figures and there are little data on credit use or impact. Surveys conducted by BDACs and PMUs show farmers with collateral used credit most often. The poor usually lack collateral and when accessed by the poor, credit was often used for consumption purposes.

169. The credit component of WBSP was never mobilized: no loans were provided and the funds were diverted to infrastructure. Only 1,036 of the 330,000 farmers in the Minya governorate benefited under MADP and under FADP, 19,000 loans were extended to finance purchase of large ruminants. Project surveys indicated that beneficiaries were small landowners with average land holding of 1.9 feddans, and no farmers with more than five feddans received loans. However, BDAC’s own survey indicated that more than half the farmers used the livestock loan for other purposes. A credit line for agricultural machinery was under-utilized because of competition from several other sources of credit for the same items.

170. NASP disbursed 7,133 loans, less than a quarter of the planned total. About 11% of loan funds went to female beneficiaries. Most loans were taken for livestock purchases, establishment of fruit trees, and drip irrigation systems. However, a credit survey revealed that on average only 50% of the loans were used for their intended purposes and even where assets had been acquired with the loan, these were worth only 20% of the total loan value; many borrowers had no assets to show for their loans indicating that most loans had been used for consumption purposes. Eventually, a large portion of the credit component was reallocated for infrastructure rehabilitation. APIP, that has the best performing credit component in the portfolio, has provided credit worth USD 19.0 million in 65,500 loans with a recovery rate of 97%. Only NASP and APIP have made significant loans to women (about USD 6.0 million at current exchange rates) and only APIP made significant loans to the landless (about USD 1.5 million at current exchange rates) but both these numbers are below the planned targets. This is no doubt a very good performance compared to other projects; but in terms of poverty, reaching the component is less effective than it appears. Only 60% of loans made have gone to small farmers and PBDAC has required collateral from all borrowers. Lending to small and landless farmers without collateral remains a problem and there are 541,000 small farmers and 406,000 landless rural farmers in the three governorates served by APIP who are potential users of loans.

171. Under EDNASP, to date, no credit has been possible because PBDAC does not accept the land use rights certificates of new settlers as collateral for the extension of loans. Project beneficiaries live below the poverty line and most will not have outright titles to their land in less than 30 years. Here again funds originally earmarked for credit were reallocated to infrastructure. Under WNRDP, it was expected that credit would be disbursed through a commercial mechanism in collaboration with a range of credit retailers including NGOs and cooperatives, but no progress has been made in defining this component and who will implement it and no progress in its implementation took place.
172. In SRDP, credit was seen as the key to raising agricultural productivity and targeting rural women and the landless, but little progress has been made. The SRDP’s MTR Mission reported continued lack of progress in implementation and weaknesses in portfolio quality, accounting policies and practices, internal control systems, reporting and monitoring. The MTR proposed reallocation of the credit component to other purposes and it has been agreed that the rural finance component will be scaled back significantly from USD 9.7 million to USD 1.6 million.

173. **Sustainability.** Creating a sustainable rural finance system that effectively targets poor borrowers depends on the basic health of the institutions involved, their capacity to serve potential clients, and the appropriateness of their savings and credit products to the target group. Improving the overall financial health of the PBDAC/BDAC system to make it sound is a responsibility of government and the Central Bank that demands the technical support and commitment of Egypt’s major donors. But this activity is beyond the scope of IFAD. Reaching out effectively to poor clients requires a low-cost, decentralized infrastructure that creates a presence in rural communities. IFAD has sought to support this objective (SRDP and WNRDP) but there has been no progress to date. Having the right products depends on a good understanding of the circumstances of potential borrowers – poor, rural men or women, with or without collateral – and sufficient creativity to develop or adapt mechanisms to mobilize their modest savings and meet their limited credit needs. However, there is no evidence that IFAD-supported projects have induced PBDAC or the BDACs to develop new products that meet the needs of the poor, women or the landless.

174. There are a number of reasons why, despite large commitments, sustainable models of rural finance have not developed in IFAD-supported projects. First, PBDAC and the BDACs have not been recognized as stakeholders in project design. IFAD’s partner has been MALR, and PBDAC has been expected to implement credit components, which they have not helped to prepare. As a result, credit conditions are imposed that ignore sound banking principles, such as below market interest rates, as agreed by the Central Bank, PBDAC and IFAD’s own RFP. Second, credit terms in projects tend to be fixed and have not been changed or amended on review. Third, the cost of funds – including foreign exchange risk – is high and PBDAC can mobilize all the loanable funds it needs from savings.

**Social Capital and Empowerment**

175. Building community organizations and empowering them through project investments is seen as an important tool of IFAD loans. In Egypt, this has taken the form of support for community development groups and WUAs. NASP was the first IFAD-supported project to recognize WUAs as a key mechanism to improve irrigation and water management and established 122 WUAs. WNRDP promoted formation of another 31 WUAs and under all IFAD projects some 400 WUAs were formed, covering 56 000 feddans and involving 13 700 farmers. Under an IFAD Technical Assistance Grant MWRI, in collaboration with EDNASP, formed five WUAs on branch canals (mesqas) involving 78 of the 250 WUAs formed by EDNASP, including 1 650 farmers on 8 100 feddans.

176. Settlers recognize the importance of WUAs in equitable distribution of available water resources, but those with immediate problems are the ones that have the most incentive to form associations and participate in the resolution of problems. WUAs have lobbied irrigation authorities for water and more timely water delivery with limited success. However, when mesqa level WUAs join those of higher levels of the irrigation command area (as intended), they are likely to have more leverage and raise their chances to become sustainable. IFAD recently supported the formation of WUAs with a regional grant that includes Egypt, to encourage the formation of WUAs at branch level.
Table 14: Progress data on WUA development

<table>
<thead>
<tr>
<th>Project</th>
<th>Branch WUAs (number)</th>
<th>Mesqa WUAs (number)</th>
<th>Area (feddan)</th>
<th>Members (number)</th>
<th>Average/ WUA Area (fd)</th>
<th>Members (number)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WNRDP</td>
<td>-</td>
<td>31</td>
<td>5695</td>
<td>1612</td>
<td>184</td>
<td>52</td>
</tr>
<tr>
<td>NLASP</td>
<td>-</td>
<td>122</td>
<td>31719</td>
<td>7572</td>
<td>260</td>
<td>62</td>
</tr>
<tr>
<td>EDNLASP</td>
<td>2</td>
<td>250</td>
<td>18108</td>
<td>4527</td>
<td>72</td>
<td>18</td>
</tr>
<tr>
<td>PIM Grant</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>403</td>
<td>55522</td>
<td>13711</td>
<td>138</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: Project data.

177. While the numbers mentioned above are large, they are modest compared to the numbers of beneficiary settlers targeted in the relevant project areas (17.6%). The project completion report of NASP indicated that WUAs, in addition to ensuring better O&M and equity in water supply at tertiary level, might be empowered to negotiate with authorities on water rights and possibly able to bargain with suppliers over inputs such as pumps. However, there was little follow-through on this activity and the CPE found that most of the WUAs formed earlier no longer existed. Nevertheless, the WUA functions were still being undertaken on an informal and ad hoc basis. The formation of WUAs has not progressed in APIP and it is seen as the responsibility of the MWRI.

178. Through SRDP a serious start has been made to decentralize decision making to the local level, and empower local rural communities, but its impact so far has been limited. SRDP’s approach to community participation and empowerment employs the established channels of representation through local government, community leaders and committees, but the base of local participation is not broad. Broad-based participation will require wider representation from communities and the poor and greater gender balance in participation. Without such changes decisions about project funds will be made by leaders that reflect GOE priorities and the high level of local ownership needed to ensure community support and sustainability will not be realized. The CPE concluded that the approach being taken can bring about only a modest degree of true participation and should be reconsidered if a high level of ownership and broad-based participation are to be realized. A greater investment in training is required to communicate and embed the skills needed to select, design, procure, implement, operate and maintain sub-projects that reflect local priorities.

Human Assets

179. In most projects, human asset development has taken the form of training provided to government staff, project staff and beneficiaries. Training provided to project staff has been directed mostly at extension staff who acknowledge its value. However, training is a common vehicle used to provide incentives to extension staff and these same staff claimed that they often lacked the means to put their training to work in the field. Senior staff in some projects also benefited from training in Egypt and overseas. Under NASP, large numbers of women participated in the project’s extension activities but these were focused on traditional WID concerns where family health and nutrition, handicrafts and literacy received most attention. APIP also delivered training courses for women and EDNASP has delivered more than 350 training sessions to some 11 000 beneficiaries.

180. The CPE mission visited several training sessions being implemented under WNRDP, EDNASP and APIP and found them to be of an inconsistent quality. Many were of limited relevance and in some the experience of the trainers was questionable. The literacy training courses being conducted for men and women in the newlands and in APIP generated a lot of interest and were seen as useful in empowering young men and women. However, there has been no assessment of the impact of training programmes on livelihoods and the CPE mission concluded that most were unlikely to lead to sustainable increases in income generation.
Institutional Development and Policy Influence

181. A number of positive institutional development impacts have resulted from IFAD’s support to GOE. Among these is the GOE decision to divest itself of its six remaining public sector agricultural companies operating in the area of Noubary and to privatize them based on the experience of WBSP. A ministerial decree to this effect was issued in June 1991. The project demonstrated that state farms can be divested and privatized although the cost, per household, was very high. In the irrigation subsector, there have been important changes in policy concerning WUAs that may have been influenced by experience in IFAD-supported projects. The GOE now has a well-specified policy on WUAs, recognizes their roles and gives them official status in planning and negotiating on local irrigation matters. But IFAD needs to engage more in the policy dialogue on WUAs and PIM as announced in the 2000 COSOP.

182. Research and Extension Institutions. Project data make it impossible to identify how much effort has been devoted to institutional development in agricultural research and extension but the thrust of IFAD’s support has been positive. Progressively, GOE has devolved responsibility for extension to the governorate level and IFAD has supported this positive change. The MALR benefited from MADP and FADP with both infrastructure and staff development. The 16 extension centres built by MADP and FADP provided a base from which district extension staff could operate and interact, effectively with their field offices and client farmers. Six Area Extension Centres were also established raising the level of contact between farmers and extension staff. Although it is small, a WID Unit was established for the first time in the extension service under NASP. While this approach has become the norm throughout Egypt, donor-assisted projects have contributed to creation of a “two-speed” extension service that is more active when project-supported incentives and infrastructure (such as those supported by IFAD) are available and less active when they are not. This means that many institutional developments are temporary and not sustained (see next section).

183. IFAD has supported agricultural research stations (such as the one at Seds) that undertake the applied research that feeds the governorate extension systems. However, there is also an extensive top-level network of national commodity research centers (such as for wheat and rice) and thematic research centers (such as for water resources desert areas) that provide the basic building blocks of applied research. IFAD has not investigated this level of research nor has it assessed how well it is performing. Productivity gains in Egypt’s main crops suggest strongly that this system works quite effectively. But a weak performance in the national system would handicap applied research and extension because it is at this level that specific innovations – such as quick maturing varieties and drought and salt tolerance – are made. In addition, potential IFAD’s support to productivity increases in Upper Egypt will have to be backed by relevant upstream research.

184. Markets and Marketing. A related aspect of institutional development where growth has been sought is the further development of markets and marketing, and especially growth that enables small farmers to participate in new markets. While this is a recognized area for policy dialogue, to date only WNRDP has an explicit marketing component and the approach being taken to improve marketing for small farmers through cooperatives does not engage the private sector channels already employed by larger farmers. In APIP – a project that seeks explicitly to raise productivity profitably – there is no provision for improved marketing. This might be overcome by linking APIP to the work of the El-Shams consortium that is led by CARE and financed by USAID. El-Shams aims to increase farm income in nine governorates by improving small farm production, and processing and marketing of high-value horticulture for domestic and foreign markets. The implication is that through partnerships others can directly complement activities that are supported by IFAD.

185. Water Management Institutions. NASP, EDASP and WNRDP have all supported institutional development in irrigated newlands by forming WUAs able to assume responsibility for O&M of the tertiary canals (mesqas) and drains. Over 400 WUAs have been formed in IFAD-supported projects but this number is relatively small compared to the total number of beneficiary settlers. WUAs are formed on a voluntary basis and those with immediate problems usually have more
incentive to form an association than those without problems. However, WUAs have not been able to operate and maintain the mesqas efficiently due to water shortages in periods of peak demand. Fees are either not collected by the WUAs or when they are collected they are too little to meet the cost of routine maintenance. While WUAs can play a major role in improved water management, they were not effective as expected because they were few, small and scattered around the irrigation system.

186. While all projects in newlands have provided support for WUAs, the Irrigation Advisory Service (IAS) of MWRI, the government agency responsible for provision of these services upon completion of the projects, was not directly incorporated in any of these projects. IAS is a relatively new agency and needs support and capacity building to increase its ability to follow up and monitor WUA activities initiated under completed projects. IFAD has used a Technical Assistance Grant to help MWRI and IAS establish the conditions needed to enable settlers on three canals under EDNASP to participate fully in managing the system and take full responsibility for O&M of their facilities. Cooperating with EDNASP, MWRI has established five branch canal WUAs covering 78 WUAs at mesqa level and comprising 1,650 settlers. These branch canal WUAs have been formed quickly on the basis of a GOE decree and at a much faster pace than formation of single WUAs at mesqa level. Branch canal WUAs have empowered the settlers to express their demands and interact with the authorities, but their real effectiveness will depend on the authority vested in them by a new water law.

187. **Rural Finance Institutions.** IFAD adopted its RFP in 2000 with operational guidelines in 2003. The RFP identifies four rural finance challenges: (i) fostering participation in rural finance, including participation by the rural poor; (ii) building sustainable rural finance institutions; (iii) building a diversified rural finance infrastructure that functions efficiently and reaches the target groups; and (iv) promoting a supportive policy environment. However, progress on these challenges in Egypt has been negligible. IFAD’s sole partner in rural finance has been PBDAC and the BDACs in the governorates. But in general the PBDAC system has not targeted the rural poor successfully: contrary to experience elsewhere, PBDAC has been unwilling to recognize the poor and landless as creditworthy and to develop relevant approaches, services and products.

188. While IFAD provided institutional support to the PBDAC system, it has not participated formally in the national policy dialogue on rural finance while the COSOP refers to rural credit as a
recognized component of policy dialogue for IFAD in Egypt.\textsuperscript{18} IFAD has agreed to provide institutional support to improve access by the poor to credit and saving services in two projects: SRDP and WNRDP. However, in neither case have these components been implemented: SRDP lacks still an institutional development plan and WNRDP has not developed a practical approach to credit provision.

189. The WB attempted recently to engage PBDAC at the highest level in a dialogue in institutional development and agreed a major loan to strengthen PBDAC and expand its supply of loanable funds. However, due to inaction on reform, this loan was cancelled. Experience shows that even when large sums of low-cost credit are at stake, progress on key institutional development issues is limited. Clearly, a well-articulated rural finance system is essential for sustainable rural development but this may need to be encouraged outside the PBDAC/BDAC system.

190. There is some evidence of successful small-scale rural finance operations in Egypt, including through NGOs and commercial banks.\textsuperscript{19} While much of this activity is urban, there are interesting microfinance activities supported by the National Bank for Development and the Banque du Caire, and a small Grameen Bank replication programme in Cairo. IFAD should be encouraged to look for more successful ways of promoting rural finance by assessing comprehensively the experience of relevant microfinance programmes such as these and investigating options for collaboration.

191. Equally important, credit sourced from IFAD is lent at 9.5% interest, well below the estimated “market rate” of 14%, making the activity unsustainable. APIP also places a significant administrative burden on the implementing BDACs in terms of costs and staff time since it must be accounted for separately and disbursed according to special criteria. Lastly, low loan ceilings limit the impact of APIP lending and there is no plan to continue this component as project closing approaches. In WNRDP, two years after project approval and one year after project effectiveness, the terms for implementation of the credit component are still under negotiation, and the role of PBDAC is unclear and mechanisms to channel credit funds through selected NGOs, cooperatives and farmer organizations are non existent. At the same time, funds from the IDS are being applied from a revolving fund at the subsidized rate of 3.25% for short- and medium-term purposes, undercutting the potential for sustainable microfinance. At effectiveness, this important project component was not ready for implementation.

Environment and Common Resources

192. Project documents contain little systematic information on environment or environmental impact. NASP and APIP reported that promotion of integrated pest management (IPM) reduced the use of agrochemicals and reflected positively on human and animal health. Specific pest and disease control innovations were reported to have reduced pesticide use by 40%. EDNASP had also introduced a pilot IPM programme and recorded adoption by 10% of all farmers. Through the promotion of sprinkler and drip irrigation systems, NASP and WNRDP had contributed to reducing water consumption of risk of groundwater salinization.

193. EDNASP had developed the concept of the “clean and green village” and is helping the settlers plant trees and develop green areas and small parks to improve the environment. Newly settled areas are barren for many years before residents can afford such improvements. EDNASP also undertook an integrated environmental socio-economic survey to assess the affects on leaching and the reclamation

\textsuperscript{18} IFAD has supported PBDAC’s participation in the dialogue on agricultural bank reform through NENARACA, the regional association of agricultural banks in the Near East and North Africa.

\textsuperscript{19} The Ford Foundation supported a successful programme between 1988 and 1991 reported by the Community Economics Corporation in Lending and Learning: Formal Banks and Microenterprise in Egypt (1993). Much of the microcredit provided in Egypt in the 1990s came via NGOs which served some 75 000 borrowers and had USD 55.0 million outstanding in loans.
process and is carrying out an environmental impact assessment and design for two wastewater treatment plants.

194. The CPE mission heard from long-term area residents in EDNASP that some of them had worked as fisherfolk and lost their livelihoods as a result of the newlands reclamation process. No reference was found to this group of households in the project documents. The mission met with several of these households and found that their transition from fishing to farming had both positive and negative impacts. Some had made the transition successfully but others had not. The GOE accorded no title to marshland and the livelihood of the fisherfolk was at risk until their access to new assets was confirmed. In the meantime, some ex-fisherfolk were cultivating fish in ponds that upset the irrigation and drainage system being developed. IFAD project documents are silent on the environmental consequences of the conversion of area lakes and wetlands to agriculture.

**Sustainability of Overall Impact**

195. The sustainability of impact of IFAD-supported investments depends on GOE’s capacity to provide policy support (such as for the link between agricultural research and extension and the viability if WUAs and CDAs), and its financial capacity to support project activities after project closing. Also important is the financial capacity of beneficiaries to pay O&M and user fees, and commercial interest rates on loans. Only some activities have become self-financing during project life and even where a user fee has been levied it is generally below the cost of supplying the service.

196. Successful newlands development requires substantial public investment over long periods, even up to 40 years. Sustainability of these investments depends on a sufficient supply of good quality irrigation water, maintenance of adequate drainage, provision of transportation, potable water and electricity to communities, and support for schools and health centers. Experience in West Delta suggests that where GOE has provided these essentials the long-term impact seems to be assured despite the emergence of drainage problems that will need to be addressed. Under pressure from population growth and the need to create employment opportunities and increase agricultural production, the GOE is continuing to expand newlands developments throughout Egypt and new settlements are started before several old sites are mature. As a result, many settler families live in poor conditions for long periods before their lands become productive and the social service needs of their communities are met. It is a matter of trade off in resource allocation that needs to be faced by GOE and donors alike. EDNASP faces such problems today.

197. While many settlers were willing to tolerate poor living conditions, the quality of life in new communities would be low for a long time to come short of the provision of these required investments. The Evaluation concluded that in EDNASP the GOE and IFAD must develop an appropriate exit strategy for IFAD’s support including the provision of sufficient public investment until the reclaimed lands are stabilized and productivity reaches a satisfactory level.

198. The ability of GOE to continue incentive payments to agricultural extension staff is another area of concern. The improved delivery of extension services and the collaboration between research and extension which were brought about under MADP, FADP and APIP may not be continued unless GOE can provide the incremental funds that came from project sources. Without additional incentives, plans to reorganize and merge the research and extension services may not go ahead.

199. Some steps have been made, however, toward self-financing and cost-recovery. Under NASP, the project-supported soil and water laboratory, the nematode control units and the artificial insemination centre have become largely self-financing. These centres were allowed to conduct some commercial agricultural operations, including these directed towards large investors, in addition to their demonstration and training activities and have become less reliant on external financing. This was not the case for the expected farmers’ contribution to O&M costs of the irrigation systems.
200. WUAs are seen often as a prerequisite for sustainable management of irrigation systems under the three newlands IFAD-supported projects. However, the CPE concluded that formal organization of WUAs was not always necessary, nor is its sustainability assured when they are established. Because water is critical to rural livelihoods, people have a deep interest in ensuring its continuous supply and this happened whenever water is in sufficient supply. In cases of shortages of water during the peak demand period, which has been beyond their control, WUAs have not been able to operate and maintain the tertiary canal efficiently. The fees are either not collected by the associations regularly, or when collected are inadequate and barely meet the cost of routine maintenance of the irrigation canals. Even when WUAs have been able to pay the cost of operation and minor maintenance of their pump, they had difficulty replacing the pumps and had to be assisted by WNRDP. Although empowered, the tertiary level WUAs had very limited influence on water allocation and distribution within the large and complex irrigation command areas, and so far, they have not proved their financial sustainability.

201. IFAD’s support for rural credit has had little sustainable impact on the availability of rural financial services to the poor. To achieve this would have required three conditions: (i) profitable investments opportunities by borrowers; (ii) profitable operations by lenders and (iii) available range of financial services to the borrowers. These conditions were not met in all IFAD-supported projects. While economic conditions in Egypt have improved fairly steadily since the reform process began in the late-1980s, the basic tenets of sustainable rural finance have not been met in any IFAD-supported project and the credit components have been cancelled, downsized or benefited the less-poor.

202. While an exit strategy or transition from a “project mode” of operations and financing to a “post-project mode” has been recommended in several IFAD-supported projects, few of them have developed such plans and many project-supported activities stopped when the projects closed. For example, in view of the impending closure of APIP in December 2004, supervision missions have for some time been recommending development of an exit plan. Such a plan is expected to address the issue of sustainability of project impacts, make recommendations about the maintenance of extension services and responsibility for APIP-created assets. However, no such plan has yet been made.

203. Equally, EDNASP is also scheduled to close in December 2005 and while this project has brought the land and the settlements to new levels of productivity and social development, both are far from complete. Saline soils and low quality irrigation water mean many areas of EDNASP still show low productivity. Infrastructure gaps, notably in drainage and for social services, are evident and most small farm households will be unable to stand on their own feet for another four to six years. By not agreeing on modalities to ensure financing further investment the sustainability of EDNASP will be put at risk.

204. Enhancing the sustainability of project impacts has been helped in a few cases by the judicious use of grants. A Dutch grant to MADP did provide incentives to get researchers into the field and established – albeit belatedly – an M&E system. Grants have also brought MALR and MWRI together to address jointly the issue of farmer organization for water management when new systems are put in place or established systems are rehabilitated. IFAD grants have recently been made to promote partnerships with NGOs and for women’s activities, although it is still too early to assess by how much they will promote the maintenance of project impacts. This trend should be encouraged and enhanced in other aspects of IFAD support in Egypt.

205. Overall, unless actions are taken in the near future jointly by IFAD and GOE, the sustainability of many aspects of IFAD’s programme in Egypt is endangered (Table 15).
Table 15: Programme Performance: Closed Projects and APIP

<table>
<thead>
<tr>
<th>Projects</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Relevance</th>
<th>Impact</th>
<th>Innovation “only”</th>
<th>Gender</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBSP</td>
<td>Substantial</td>
<td>Modest</td>
<td>High</td>
<td>Substantial</td>
<td>Substantial</td>
<td>Modest</td>
<td>Likely</td>
</tr>
<tr>
<td>MADP</td>
<td>Modest</td>
<td>Modest</td>
<td>Substantial</td>
<td>Modest</td>
<td>Modest</td>
<td>Modest</td>
<td>Unlikely</td>
</tr>
<tr>
<td>FADP</td>
<td>Modest</td>
<td>Modest</td>
<td>Substantial</td>
<td>Modest</td>
<td>Modest</td>
<td>Modest</td>
<td>Unlikely</td>
</tr>
<tr>
<td>NASP</td>
<td>Substantial</td>
<td>Substantial</td>
<td>High</td>
<td>Substantial</td>
<td>Modest</td>
<td>Modest</td>
<td>Likely</td>
</tr>
<tr>
<td>APIP</td>
<td>Substantial</td>
<td>Modest</td>
<td>Substantial</td>
<td>Substantial</td>
<td>Substantial</td>
<td>Modest</td>
<td>Unlikely</td>
</tr>
</tbody>
</table>

Source: CPE ratings.

VI. STRATEGIC ISSUES

A. Relevance of IFAD’s Country Strategy

206. Until 2000, IFAD’s framework for support to Egypt followed a simple strategy developed in 1979 and that changed little over more than 20 years. It emphasized increasing productivity in oldlands and supporting smallholder settlement in newlands and while no doubt relevant, could have been more dynamic and imaginative, and with sharper focus in addressing the most prominent poverty issues. The framework supported key elements of GOE strategy and was consistent with IFAD’s own policy and strategy. By sticking with this approach, IFAD learned a number of important lessons about old and newlands projects that it sought to apply when new projects were appraised. These many lessons, listed in the COSOP, were important but fairly generic. As the previous analysis clearly demonstrates, only part of these lessons were successfully incorporated in IFAD’s programme.20

207. The COSOP identified four areas of policy dialogue for IFAD that included: making rural finance more responsive to the needs of the poor; making the concept of participatory irrigation management operational; giving a more important role to the private sector in the development of agricultural marketing; and, finding ways to make extension services to the newlands sustainable through user fees and private sector mechanisms. While these areas of policy dialogue were important, their achievement depended on an ability to engage closely and continuously with several parts of GOE (PBDAC, MWRI, MALR) and the private sector on difficult topics that demanded a detailed level of knowledge gained not only from international experience but also from hands-on experience on the ground – something hard for IFAD to do without field presence. In practice, with the exception of some WUA development supported by an IFAD grant, there has been no progress on these issues.

208. Recent studies have shown that there are new realities in the land tenure system, cropping patterns, rural labour markets, the role of women, child labour and trade liberalization. The very recent policy orientation towards agricultural export promotion, the development of the role of the private sector and promotion of small and medium enterprises (especially in the non-farm sector) have also become key areas for Government development policy. The timing is therefore appropriate for updating the existing COSOP, both to address the strategic issues of importance to IFAD, and also to adjust to the realities, changed circumstances and new priorities of the Government of Egypt.

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20 These include: avoiding complex project designs; promoting local project implementation that is supported by national project coordination; focusing agricultural research on local conditions and keeping agricultural extension affordable; promoting participatory irrigation management through WUAs; finding new mechanisms to bring credit to smallholders, women and the landless; adding value to agricultural production through improved marketing; and, recognizing rural women more as farmers, and less as homemakers and domestic workers.
209. The 2000 COSOP recognized two opportunities for project support, including the consolidation and expansion of activities in the newlands (which became WNRDP) and a natural resource management initiative in NWC (which became Matruh II). Neither of these proposals responded to the core poverty challenges posed by rural Upper Egypt nor were they linked to continuing or closing IFAD’s major investment in agricultural research and extension made via MADP, FADP and APIP. The proposal to expand support for settlement in newlands of the Delta could be questioned on the grounds that there was little more to learn about the settlement process in the Delta. Newlands projects simply needed better technical designs, adequate infrastructure and sufficient budgets to support the growth of new communities from scratch. Lastly, justification for Matruh II is limited given the COSOP’s own characterization of rural poverty in Egypt. Matruh II could be described as a project of special interest in a unique ecosystem that aims to meet the needs of a very small community while the bulk of the poor are concentrated in Upper Egypt and the extent of their poverty is worsening.

B. Coherence of Programme Activities

210. With the exception of Matruh II the CPE found that IFAD’s programme of activities in Egypt is coherent. The projects are consistent and follow the strategy outlined in 1979 and reaffirmed in later years. Four projects support newlands settlement in the Delta; three support productivity improvements on oldlands in Upper Egypt; and, while SRDP is a new generation initiative, it is focused on a poor Upper Egypt governorate that has the social and economic conditions to make it a target for IFAD. Matruh II is less easy to justify being on the edge of Egypt’s most pressing rural poverty reduction challenges. The GOE’s recent decision to scale back borrowing for Matruh II is possibly testimony to its lower relevance as well as its high unit costs. The extent of coherence of the grants activities with loans activities is less evident.

C. Achievement of IFAD’s Strategic Objectives

211. If the relevance of IFAD’s programme in Egypt is assessed against the twin objectives of its early identification missions, then it can be concluded that IFAD has largely achieved its strategic objectives. But this has to be qualified since the strategic demands of the pre-COSOP approaches were modest. However, if the relevance of IFAD’s programme was assessed, in retrospect, against the four main themes of its current strategy in NENA, it would not score as highly. These themes include empowering the poor, diversifying rural income, reducing gender inequalities, and improving natural resource management – where water scarcity is the most critical and urgent issue. While these themes are recognized as challenging, none of them is addressed head-on by IFAD’s past or current programme in Egypt.

212. The COSOP proposes a strategic niche for IFAD and identifies the elements of IFAD’s comparative advantage in Egypt. IFAD’s niche has four parts: improving and expanding newlands settlement; expanding the off-farm impacts of smallholder farm development; making marketing more efficient – especially of dairy and horticultural products – to improve farm prices and incomes; and, expanding rural SMEs through provision of training and improved access to credit. If IFAD’s programme – past or current – is assessed against this niche, again it would score highly only on account of the first part.

213. IFAD has successfully helped to improve settlement in newlands of the West Delta, and is trying to do so in East Delta, but the conditions are more challenging. IFAD risks having its contribution attenuated if – with its cofinancier the WB – it does not develop an appropriate exit strategy from EDNASP that leaves the newlands in a stable condition and new communities in possession of essential public services. With respect to IFAD’s other elements of comparative strengths, the contribution to off-farm income growth is only indirect, improving marketing is a small project activity in WNRDP, and SME promotion through credit provision has not been tried to a significant extent.
This partial success in achieving the strategic objectives can be explained by IFAD’s approach to strategy formulation and its long-term relationship with GOE, and especially with MALR. First, IFAD’s overarching strategy documents are very comprehensive, encompassing a wide range of issues that are all given priority. Successfully implementing all or most of them would be unrealistic. Second, until the COSOP in 2000, IFAD’s strategy formulation process for Egypt was relatively partial, focusing more on projects that clearly met the stated priorities of GOE. The 2000 COSOP had a comprehensive and better articulated strategic approach but did not set clear priorities in ways that provide a practical focus and a programmatic approach for a small size donor. Third, IFAD’s role as a funder and its organizational structure have denied it a field presence that limited its ability to develop working partnerships and hands-on experience that would be needed to translate its strategy into action. In short, IFAD’s stated strategic objectives are overly comprehensive and ambitious and greater than its organizational ability to realize them. Improving future performance will require a pragmatic strategic scope, an increase in focus, a clear programmatic approach based on set priorities and greater real time engagement with projects and partners.

D. Working with Partners: Involvement in Major Poverty Reduction Processes

IFAD’s lean staffing and Rome-based organization make consultation about country programme development difficult in practice. This has become an even more important factor recently with the widespread adoption of the MDGs and their linkage to the “PRSP process.” Promoted by the WB a PRSP is an agreed Poverty Reduction Strategy Paper prepared by a developing country government that identifies the strategy to be followed to achieve the MDGs and the resources needed in close consultations with other donors. PRSPs have increasingly become the guides that donors follow when they plan their commitments of official development assistance. To date, it has been difficult for IFAD to be a player in the pre-PRSP process and in Egypt this reduces IFAD’s ability to put its resources and knowledge to work catalytically alongside other players. Since a PRSP is about to be prepared for Egypt, it is important that IFAD have a presence in the process.

One aspect of PRSPs completed to date is that while they give appropriate prominence to the MDGs, the rural sector and rural poverty reduction are often not highlighted. Since sustainable poverty reduction is the overarching aim of PRSP and since most poverty is still rural (certainly the case of Egypt), this gap is an anomaly. It is important that emphasis on agriculture and rural development is restored if sustainable poverty reduction is to be achieved. For this reason, organizations with a rural development mandate such as IFAD need to play an active part in the PRSP process by influencing the strategy and funding of the future rural poverty reduction agendas that will help to achieve the MDGs. IFAD needs to share its knowledge in rural poverty reduction in Egypt with all donors and agencies concerned through, inter alia, a full fledged involvement in the PRSP process. IFAD’s recent internal efforts to internalize its involvement in PRSP in its normal operations and spectrum is a step in the right direction.

E. The Spectrum of Partnerships

The spectrum of partners involved in the IFAD programme in Egypt has not been wide enough. IFAD has worked with GOE largely alone. IFAD’s principal financing partner has been the WB (in EDNASP, SRDP and Matruh II) and more recently it has incorporated support from IDS (in WNRDP). The GEF is a financing partner in Matruh II but links to other parts of the UN system and bilateral donors are negligible. The need for partnership opportunities with NGOs in project implementation have been identified (EDNASP and SRDP) but not developed. This absence of wider effective partnerships needs to be overcome for several reasons. As a result, IFAD is not as well known among development partners in Egypt as it should have been. A contributing factor is no doubt the lack of field presence.

First, IFAD explicitly seeks to learn about effective development approaches, share its own experience and influence the actions of others; for a small player there is no better way of doing it than through engagement with others in processes where responsibility is shared. Second, Egypt is a
major recipient of development assistance (including grants) and IFAD seeks explicitly to leverage the resources of others. To do this, IFAD engagement with potential partners through co-financing or by influencing directly what others do is of major importance. Third, IFAD’s loans come at a significant cost to Egypt and the terms are no longer highly concessional. As Egypt carefully reviews its borrowing commitments and re-evaluates what it will borrow for, IFAD needs to ally itself with partners whose funding costs is less or is free, in order to lower the cost of the aggregate project financing package. A good example of this is the link to IDS. Fourth, IFAD’s programme has significant elements that require close supervision, not just for accountability and fiduciary responsibility but for implementation support and problem solving particularly for aspects relating to local level community development and empowering the poor. Because IFAD does not yet have a presence on the ground and entrusts project supervision to others, having additional partners who are present can add to the effectiveness of project implementation.

F. Influencing Policy

219. While IFAD seeks explicitly to influence rural development policy and strategy it is not yet well placed to do so. There are three main reasons for this. First, IFAD has worked mainly in a project mode supporting two established strands of GOE strategy: reclamation and settlement of newlands and improving agricultural productivity of oldlands. IFAD-supported projects have taken policy and strategy largely as a given and IFAD has used its financial resources to implement them not as much to help develop them. Second, in Egypt IFAD’s professional staff and consultant resources have been focused on project development. The skills needed to undertake sound policy analytical work are different from those needed to design and implement good projects. Third, the policy development environment in Egypt is vast and complex and to have a significant impact, IFAD would need to refocus its efforts on a small number of influential topics and to remain with them. Related to this, IFAD would need to engage in the policy forum that include other donors and government institutions, bringing the relevant human and knowledge resources to bear where decision shapers are present.

G. Mobilizing Resources

220. Beyond the WB and IDS, IFAD has not developed close financial relations with others. The relationship with the WB is potentially valuable if IFAD can employ it to make WB investments in Egypt more closely aligned with IFAD’s priorities and more pro-poor overall. Opportunities still exist for IFAD to do this. IFAD’s partnership with the WB in EDNASP seeks to improve the way in which GOE works on settlement development. By cofinancing SRDP, IFAD and the WB have moved into a new project mode that is targeted at a very poor area and may one day be able to influence a very large national development programme – SHROUK. In Matruh II, it is not clear how partnership with IFAD improved the design of a WB repeater project. With respect to IDS, IFAD has benefited from its proximity to the Italian Government to become a partner in WNRDP. Given the importance of grant funds in future to complement IFAD’s loans, the relationship with IDS should be carefully managed and, if possible, deepened.

H. Using Grant and Non-loan Instruments

221. A small but significant proportion of IFAD resources are available to developing member countries in the form of grants. Grants are made either for regional activities, or activities in groups of countries, or for specific country activities. Since 1994, Egypt has benefited from a share of 13 regional or multi-country grants worth in aggregate USD 10.3 million, and five country-specific grants worth USD 432 000. The regional grants have supported a wide range of activities including training in agriculture, gender development, participatory irrigation management, improving access to financial resources, marine resources management, managing water resources in agriculture, and technical backstopping for IFAD-supported projects. The Egypt-specific grants have been used to finance project implementation activities, such as start-up expenditures (EDNASP), creating umbrella groups for community organizations (SRDP), and preparing completion reports (NASP).
IFAD’s grant programme in general has been evaluated elsewhere by OE. However, three regional grants deserve mention. First, a grant (USD 566,000) to support the regional association of agricultural banks has successfully improved training capabilities, delivered training and created a forum for sharing knowledge and expertise. Second, a grant (USD 1.6 million) to support participatory irrigation management has helped to develop WUAs and water unions and most importantly brought MALR and MWRI together to determine how these agencies can cooperate more effectively to promote efficient use of irrigation water. Third, a new grant (USD 944,000) to expand the reach of IFAD projects to rural women has been designed for work in up to ten countries, including Egypt. This grant will support gender analysis training, women’s access to rural financial services, and knowledge management on gender issues.

While the impact of these grants is undocumented, the relevance of all three grants to current rural development priorities in Egypt is certainly high. Given the roadblocks to certain key issues – sustainable rural finance, gender equity and effective community participatory – the judicious use of grants to finance well targeted prototype work and small pilot actions well linked to IFAD projects has to be valuable. The current grants have not been developed and planned in conjunction with the loan programme though two of them are related to some of the ongoing projects, ex-post. The potential to complement loans with grants in an ex-ante manner, during the programme planning stage in order to identify and demonstrate what constitutes good practice before committing large volumes of resources should become a standard practice in IFAD’s programme cycle.

I. The Performance of Government

The GOE has historically supported the establishment of the Fund, contributed to the replenishments of its resources and fulfilled regularly its obligations. Its overall performance in programme development and implementation has been generally satisfactory but there have been shortcomings. Strategically, the GOE has sought and obtained assistance from IFAD for a number of its priority activities since the late 1970s. GOE prepared a comprehensive strategy for agricultural development in the 1990s, but neither IFAD nor GOE reformulated their strategies of mutual cooperation in the early 1990s when the new framework prepared by GOE provided numerous avenues to increase relevance and to sharpen programme focus on emerging areas for poverty reduction.

Long delays took place in project effectiveness and extended periods of project implementation were repeatedly observed. If projects had started up faster and funds had been disbursed as planned, benefits would have accrued faster, rates of return would have been higher, and Egypt could have possibly accessed more concessional loans from IFAD before the lending terms changed and borrowing costs rose. Weak interagency relations also hampered project implementation. Credit components were designed by MALR to be implemented by PBDAC. If PBDAC had been a full part of the project preparation process, some of the obstacles to implementation would have been avoided. Equally important, if better coordination existed between MALR and MWRI, some of the design problems that limit water supply and impair drainage might also have been identified during project preparation and either dealt with or avoided.

Government efforts at promoting attention to gender issues could have been more effective in
IFAD supported projects. With the possible exception of EDNASP where individual staff work hard to
serve women effectively, attention to gender issues by most implementing agencies is insufficient.
There is a need for more systematic efforts to emphasize gender equity at the forefront of rural
development and to provide training and examples of how to do it. Also important, the role of NGOs
and civil society organizations needs to be more forcefully encouraged to enhance project performance
when it comes to working effectively with the poor.

J. The Performance of Partners

IFAD’s key partners are the WB and UNOPS. IFAD’s relationship with its key financing
partner – the WB – has been perhaps efficient, but not clearly effective. Efficiency stems from the
ability of IFAD as a cofinancier of WB-supported projects to expand the level of resources committed
to mutually-agreed purposes and to entrust project supervision to a capable partner with field presence.
However, leverage implies a degree of influence and it is unclear who in IFAD’s relationship with the
WB is leveraging whom. Is IFAD able to influence the WB in substantive ways to do development
activities that it might not otherwise choose to do? Or are IFAD and the WB simply agreeing to
expand the pool of resources available to Egypt in areas of mutual interest? Evidence of real leverage
is not apparent. It is clear however, that the WB is acting already on the changing poverty profile in
Egypt and has recently initiated a poverty reduction strategy for Upper Egypt whereas IFAD has not
yet done so. IfAD’s other key partner is UNOPS, the cooperating organization that supervises
implementation of the IFAD-supported projects not supervised by the WB or by IFAD itself. IFAD’s
relationship with UNOPS in Egypt is dealt with as an operational issue in the next chapter.

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VII. OPERATIONAL ISSUES

228. This section assesses how operational issues – the issues related to identifying, preparing, appraising and implementing projects – have been dealt with and the effect this has had on project outcomes and the performance of IFAD’s programme.

A. Project Identification, Preparation and Appraisal

229. Most projects – seven of nine – were identified by IFAD from GIMs that focused more on identifying bankable projects than on strategic issues. The two most recently approved projects were identified in the 2000 COSOP that tries to place project proposals into a larger strategic and policy context. Most projects were identified, prepared and appraised quickly and efficiently, usually within a period of 18 months by experienced teams led by IFAD or the WB. Only one project – SRDP – was prepared slowly, taking five years from identification to approval. However, in this case, during preparation the project concept changed completely from a livestock project in 1993 to a rural infrastructure project in 1998.

230. In six of nine projects, the WB was IFAD’s cooperating institution and completed the appraisal, and in three of them it was also IFAD’s co-financer (EDNASP, SRDP and Matruh II). Three projects (NASP, APIP and WNRDP) were appraised by IFAD itself using consultant teams, including consultants from FAO. The first five projects approved by IFAD did not have logical frameworks and the logical framework tool was introduced with EDNASP’s appraisal in 1997. In all but three projects, ERRs were estimated to be above 20%, and above 30% in two of them, which could be considered high for rural development projects. None of the ERRs calculated at appraisal were re-estimated when projects closed.

231. Some parts of some projects were not properly appraised. There were infrastructure weaknesses in WBSP, NASP and EDNASP that demanded more design work and investment after projects became effective. Technical design needs to be significantly improved if GOE and IFAD are to avoid expensive surprises after project implementation begins. The environmental and social consequences of wetland reclamation in EDNASP were also underestimated in appraisal. The credit components of all projects have weaknesses stemming from the absence of PBDAC involvement in preparation and WNRDP is handicapped because the credit component is essentially under-designed and reliant on entities (banks, cooperatives, NGOs and civil society organizations) that have not been identified.

232. Over time, in line with development practice generally and IFAD specific concerns, projects are expected to respond to an increasing number of concerns including being well-targeted at poverty, participatory, influential on off-farm income and employment, and responsive to gender equity and environmental concerns. At the same time, in line with lessons learned from experience in Egypt, project designs became somewhat simpler, having fewer components, and more decentralized, with implementation being focused at the governorate level with overall coordination in national offices at the center. However, given a modest absorptive capacity and the trend towards decentralization, approved projects in retrospect were found to be large, and some of them allocating significant sums to poor governorates with few infrastructure activities. For example, in two recent projects financing amounted to USD 77 000 per small village in SRDP and USD 2 000 per household in Matruh II.

B. Project Implementation

233. Key features of project implementation have been uneven management, slowness to declare projects effective, delayed implementation and closing, significant restructuring of projects with changes in the use of funds, and weak M&E. Slow implementation begins in most projects with long delays in declaring the project effective. There has been an average gap of 16 months between Board approval and loan effectiveness. Delays in implementation periods are also notable, with an average of over ten years implementation for the four closed projects. Delays in completing infrastructure...
components were common in early projects caused by delays in procurement and counterpart funds. Later projects sought to avoid supporting infrastructure for these reasons. The impact of these delays on project results is not known, but implementation delays defer project benefits and are likely to reduce them.

234. GOE has sought to implement its IFAD-supported projects largely according to the loan agreements made, yet most projects have been restructured and made significant changes to project financing during implementation. In some cases, key project components have not been implemented (e.g. credit in WBSP) or significantly scaled back (e.g. consultant services and technical assistance in WBSP, MASDP, FADP, and APIP and credit components in EDNASP and SRDP). Reductions in technical assistance undoubtedly influenced the modest overall M&E performance. While flexibility in project design is a desired aspect to meet changing realities during implementation, some projects redesign was approved very soon after they became effective (e.g. spreading project financing intended for two districts over the entire governorate in Beni Suef in APIP).

235. All projects are implemented through PMUs where the capacity of the management teams is uneven. In some instances limited management training exacerbated the modest M&E performance. Limited recourse to consultant services and technical assistance has also affected project management performance. In SRDP, the PMU is too small for the large responsibility it shoulders, in a poor governorate that has little prior experience of donor-funded work. This contrasts with WNRDP that has a large strong team that has successfully built up its management system from experience of completed projects, including WBSP and NASP.

236. Project supervision is carried out by IFAD’s cooperating organizations, the WB and UNOPS. Projects appraised by the WB were supervised by it, and projects appraised by IFAD were supervised by UNOPS. These are usually efficient, six-monthly exercises that are appreciated by the borrower institutions, but implementation delays and slow disbursement suggest that there may be weaknesses in project supervision. The CPE mission concluded that WB supervision of active projects, notably SRDP and EDNASP, has not performed effectively and needed to be strengthened. For technical reasons, EDNASP is facing serious challenges and urgent attention is needed to water supply and drainage problems. Supervision has not done much to help resolve these issues. SRDP is not performing as planned and obstacles to implementation need to be identified, assessed and removed. It will require intensive supervision to achieve this. WB supervision is overall primarily concerned with financial and other fiduciary aspects but is not doing as well on other aspects of implementation support, particularly those related to IFAD’s specific aspects.

237. Working through cooperating organizations has the disadvantage of placing IFAD one step away from monitoring implementation progress first-hand. Regular IFAD participation in supervision missions would increase its capacity to gather knowledge, contribute to problem solving and raise IFAD’s visibility. IFAD’s evaluation of Supervision Modalities found initial indications that direct supervision from IFAD itself was the most effective form of supervision and while it raises costs, IFAD should consider investing more in supervision of its Egypt portfolio.

238. M&E performance have been modest across most of the portfolio. In several projects it lacks clear and timely design of the system and training in this field was not undertaken as planned. This has had an adverse effect on timely identification of problems and made the evaluation of impact almost impossible. Little commitment to M&E was shown by implementing agencies.

239. IFAD has managed the projects in its Egypt portfolio flexibly. This has enabled costs to be spread over longer periods and all the committed funds disbursed. However, in some cases such flexibility meant that delays in implementation continued and that a sense of urgency for project completion has been lost.
VIII. THEMATIC ISSUES

A. Targeting the Poor

240. IFAD has employed a practical, two-tier approach to targeting poverty in Egypt. First, it has targeted small farm households, including those with less than three feddans on oldlands and up to five feddans in newlands. Second, it has sought to target special poverty groups – including women-headed households, the landless, and unemployed youth. The landless include the long-term landless and farm households displaced by Egypt’s land reform process. Unemployed youth includes unemployed graduates resettled on newlands. More recently, IFAD has begun to target geographically with its support to projects in Sohag and Matruh II. Future programme should take fully into consideration the emerging regional profile of rural poverty and the disadvantaged status of Upper Egypt.

241. Targeting support by farm size using IFAD’s criteria covers more than 90% of Egypt’s farm households. While IFAD concluded in 1989 that rural poverty was not a simple function of farm size, changing its approach to targeting based on the level of household income and assets was seen as difficult and not cost-effective. Thus, IFAD has continued to employ an approach that discriminates little among farm households with little emphasis on landless who constitute as much as 60% of the population in many rural areas. Women farmers have not been explicitly targeted on a systematic basis in IFAD projects. In newlands, all settlers – unemployed graduates under the Mubarak scheme or displaced small farmers – are eligible targets for IFAD support. The CPE mission concluded that settler families – including graduates’ families – were poor and worthy of IFAD’s support.

242. IFAD has made repeated attempts to improve access to rural credit by the poor and those without collateral. Loan funds have been redirected from supporting farm machinery purchases to buying livestock and extension staff used size of holding to select eligible borrowers. However, in this case, most loans do not go to the poorest sections of rural communities or to new borrowers and have been taken up most often by men and women who had land as collateral or on-going micro-enterprises in livestock, dairy processing, feed processing, poultry raising, sewing and handcrafts. Lack of effective M&E data precludes a more detailed assessment of the profile of credit users.

243. The limited credit outreach to the poorest resulted from PBDAC’s unwillingness to increase its risk by lending to these groups – even when projects were expected to do so. For example, in the Small Loans Guarantee Fund of APIP on oldlands and in planned collaboration with the Mubarak Programme in EDNASP on newlands, PBDAC and the BDACs have been unwilling to lend to farmers without collateral or to new settlers. In EDNASP, no credit was provided because PBDAC would not accept the land certificates held by settlers as sufficient guarantees for loans. As a result, the large credit components of newlands projects have not taken off, credit access by the intended beneficiaries remains limited. IFAD’s target groups seem to have access to funds through other mechanisms including the Local Development Fund and the Social Fund and in future further use of channels outside the rural banking system should be explored.

B. Enhancing Participation

244. Participation by stakeholders, including the rural poor and women, in project design and implementation is now firmly entrenched in IFAD policy and good practice. IFAD’s inclusion of participatory development in Egypt began in the 1990s with NASPs and APIP and has been expanded further in the most recent generation of projects under implementation – WNRDP, SRDP and Matruh II. However, while beneficiary participation has been introduced it has not been properly resourced or staffed. WNRDP, approved in 2002, is the only project in IFAD’s Egypt programme where community participation is allocated a significant budget allocated to training or capacity building for effective participation. While project supervision, particularly UNOPS, has stressed the need for participation in M&E, this has not materialized.
245. Agricultural extension in recent IFAD projects has pioneered a number of participatory approaches. The experience of field schools and farming system approach particularly in APIP are successful examples of participatory approaches with farmers for diagnosing constraints and developing research agenda. Aside from these two cases, involving communities in extension has not been the common strategy adopted. While PBDAC is experimenting with a Grameen-style model of solidarity group lending, at a small scale, this approach has not been used in the delivery of credits sourced from IFAD. Fundamental problems with the credit programme have limited the extent to which experimentation with different modes of delivery was possible and the use of NGO networks and other new delivery mechanisms envisaged at the project design stage have not been implemented. SRDP represents a unique example in the portfolio where rural infrastructure is to be identified and implemented through community level participation. However, limited staff training on effective means of participation and its mechanisms has been identified by the evaluation as an area needing much more emphasis.

246. While formal participation in the management of irrigation at the tertiary level in Egypt is well established, IFAD’s support for WUAs and water unions (associations of related WUAs) has helped to stress the value of participation in the newlands. At the tertiary level, responsibility has traditionally rested with farmers and even without formal WUAs irrigators in Egypt tend to cooperate. IFAD support to WUAs has helped formalize existing arrangements and contributed to afford them efficient recognition and in clarifying their expectations with government agencies. WUAs have allowed female participation and women are members of WUAs and water unions and participate in regular meetings and activities. But WUAs and water unions were not able to mediate or solve problems of inequitable water distribution to tail enders.

C. Promoting Decentralization and the Role of Civil Society

247. IFAD’s portfolio has evolved as the GOE’s policy of decentralization has developed to decentralize and devolve authority for development activities to the governorate level. This has raised the relevance of IFAD’s programme by increasing its responsiveness to local needs and aspirations. However, the degree of control exercised by ministries in Cairo and by governor’s offices is high and successful implementation requires a balance between these two forces. Due to the long history of centralization, it will take time for the full potential of the new policy to be achieved. Equally important, outside government-sponsored organizations, the development of civil society is in the initial stages and IFAD can play a role through policy dialogue to speed up processes whereby communities make their voices heard. It is through government willingness to support these processes that environment can be conducive for the search for creative local solutions to problems faced by the poor.

248. For its first two decades, IFAD’s programme in Egypt worked exclusively with government. More recently, projects such as EDNASP and SRDP have included a role for NGOs, community development associations and other civil society organizations. However, it is apparent that the desire to engage NGOs is greater than the capacity of NGOs to work with large development projects. Neither EDNASP nor SRDP have engaged NGOs as expected, nor has PBDAC, and the community development associations fostered by projects appear highly informal and fragile and may not survive when support is withdrawn. Effective development NGOs dedicated to rural development exists in Egypt but their numbers are small and their capacity to contribute to project design or implementation is yet to be developed. Enthusiasm for working with NGOs has to be tempered to the reality of the existing capacity. International NGOs, some with relevant experience and capability, are present in Egypt but most of them are not yet viewed as credible partners by government. Nevertheless, that perspective is changing fast and donor support for development of the Egyptian NGO community – by international NGO partners, in some cases – using grant funds could be timely. IFAD has an important role to play in this process.
D. Developing Management Skills for Participatory Projects

249. Egypt is a sophisticated borrower, where large numbers of people have high levels of formal education to the tertiary level and beyond. However, Egypt has suffered some significant out migration, particularly for temporary employment in the gulf countries that has affected its cadre of public sector managers and there are aspects of human resource development that have been highlighted in IFAD identification reports. Elements of technical assistance exist in most IFAD-supported projects for Egypt, and in many cases there are explicit references to training, but it is impossible to identify how much of IFAD’s support has been aimed at human resource development. One of the identified gaps concerns the skills needed to manage development processes and projects. This is most apparent in new-style projects such as SRDP where new ways of working – through participation – in a highly decentralized environment are needed but for which managers and staff have little prior preparation and need strong support and training. Hardware skills that have been developed over the years in Egypt’s agriculture services agencies and in IFAD’s supported projects are not matched by the software or people skills needed to successfully implement participatory projects in disadvantaged communities. Other project management skills, such as the design and implementation of M&E systems, continue to demand attention.

IX. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

Programme Performance

250. IFAD’s programme in Egypt comprises two main themes and groups of activities – support for settlement in newlands and support for productivity improvement in oldlands – plus two recently approved projects, one under implementation (SRDP) and another (Matruh II) that is still not yet effective. Investment in newlands in the West Delta has clearly made a large difference to the quality of life on the targeted communities through improvements in economic and social infrastructure, improved farm productivity and marketing and contributions to water management. The two closed projects in the West Delta achieved most of their main objectives, but it is unclear if the investments made were efficient (see paragraph 261). Notable institutional development has taken place and it appears likely that developments in the West Delta will be sustained provided the basic water quantity and quality issues are dealt with over the long term and small farmers can enter successfully the agricultural and horticultural marketing chains. A third project in the West Delta is in its early implementation stages and is trying to incorporate the lessons learnt.

251. In the East Delta, the outlook at the time of evaluation is less bright, mainly because the environment for reclamation is more difficult and the challenges more severe. The water resources are poorer and the reclamation process is less advanced. Newlands development supported by IFAD and the WB requires additional investment in the East Delta if the foundation built so far is to be brought to fruition. Outside EDNASP, GOE’s plans for newlands development are huge, but there is little that needs to be learned about how to make the process work: resources are the main limiting factor, not new knowledge. IFAD should seek an exit strategy from the East Delta that does not put the investments made at risk. IFAD should also share the lessons learnt from its investments with all government agencies involved and donors as it shifts emphasis in the new programme cycle.

252. In the oldlands of Upper Egypt, IFAD has supported the agricultural research and extension system in three governorates and has promoted in the last of these projects a number of innovative approaches. It is difficult to assess objectively the contribution that IFAD has made as reliable data are not available, but overall results are moderately successful. While substantial and sustainable

23 Overall, the smallholders’ reach of the IFAD programme is substantial, but its ability to reach landless and rural women is much less so.
improvements in yields have been achieved as well as some institutional development, the latter appears temporary due to supplementary project financing that has provided incentives to work. The sustainability of the improvements made is uncertain if project financing from APIP ends and is not replaced. Small farms in Upper Egypt are highly productive, but scope remains to raise the productivity of main crops even further, particularly in Southern Upper Egypt, and to diversify production into new commodities of higher value.

253. Implementation in general has been marked by significant delays caused by a lack of implementation experience, bureaucratic procurement procedures, delays in response from IFAD and in older projects, delays in counterpart funds. In various instances supervision and implementation support could have been firmer and more effective. Simpler projects are implemented more easily than complex ones and local management has been shown superior to central management. Slow disbursement also suggests that project designers have overestimated Egypt’s capacity to absorb project funds. M&E weaknesses have lowered timely performance and accountability throughout IFAD’s portfolio.

Programme Strengths and Weaknesses

254. The strengths of the Egypt country programme stem from GOE’s historic commitment overall to the programme, IFAD’s responsiveness to the expressed needs of the government, its ability to provide a comprehensive strategic framework since 2000, the capacity of some experienced PMUs (such as WNRDP’s) to manage implementation, IFAD’s willingness to adhere to an agreed agenda and see it through, IFAD’s ability to manage projects flexibly that allows them to be restructured and extended, and the regular supervision by IFAD’s cooperating institutions. These attributes have allowed project PMUs to do their work in a supportive environment. However, such responsiveness also has risks. IFAD should have been more demanding with respect to project schedules and performance. Some projects were approved where preparation and appraisal needed strengthening and some components were not quite ready for implementation. Egypt is a capable and sophisticated borrower with highly qualified technical expertise, but it is apparent that requests made during supervision for timely implementation, improved M&E and others have often not been heeded.

255. Weaknesses in IFAD’s programme stem from a number of sources: (i) infrequent review and amendment of the country strategy; (ii) continued support for a rural credit programme that has not performed; (iii) a limited approach to poverty targeting combined with insufficient attention to deal effectively with disadvantaged groups (especially women and the landless); (iv) limited emphasis on off-farm rural employment; (vi) insufficient attention to developing management skills; and (vii) insufficient follow-up of supervision and other recommendations. IFAD has followed the same strategic framework in Egypt for 20 years almost without amendment, despite the awareness of important policy changes begun in 1986 and new information available in the early 1990s that should have influenced the shape of its programme. The emergence of Upper Egypt as the focus of poverty and the disadvantaged groups was not considered by IFAD’s strategy. IFAD continued to put its faith in the PBDAC/BDAC system in almost all its projects despite the realization that this system was handicapped by policies and procedures that prevented it from serving the targeted groups effectively. IFAD took a cautious and sensitive approach with respect to gender development taking into consideration local social and cultural factors. However, IFAD did not take full advantage of more recent progress in national strategic and policy environment on gender. If gender matters to IFAD as much as its policy and strategy documents say, then it has to be more creative and supportive in finding solutions but also tougher when projects do not deliver. While IFAD has been aware of the importance of off-farm employment to farm household income and the landless, it has not become engaged in this important but neglected area.

256. Overall, the CPE concluded that weaknesses in many of the development processes employed by IFAD in Egypt (strategy formulation, partnerships, project identification, design weaknesses, etc.), plus limited responses from GOE (especially in terms of infrastructural and effectiveness delays, rural credit and M&E, but including inadequate project management arrangements in some instances) had
resulted in lower achievements for the investment programme. These issues concern the management efficiency of the development partnership between IFAD and GOE. There is considerable scope to improve performance in this area, with consequent improvements in the programme impacts. This needs to be highlighted as an issue in future discussions, with clear commitments by both partners to improve performance. IFAD field presence would doubtless help in this respect.

**Opportunities**

257. IFAD as an institution seeks to be an innovator, a knowledge-based organization and a catalyst for development. To date it has played these roles only partly in Egypt. A great opportunity exists to do so. IFAD has promoted some contextual innovations in its operations, namely the FSR and farmers’ schools under APIP and the support for village level decentralization in rural infrastructure in SRDP. But overall, IFAD has chosen largely to support activities for which good practice is now well established: improving newlands settlements, reclaiming and stabilizing newlands, supporting applied agricultural research, and extending successful messages to farm communities. What can be done in future is more systematic support to newer dimensions, such as applied research that benefits the poorest and women farmers, mechanisms that improve marketing of small farmers’ crops, growth in agriculturally-based off-farm employment, and savings and credit mechanisms that can be used successfully by the poor. The gender dimension of agriculture and off-farm employment calls for urgent focused attention in working environments that perceive rural women role in a narrow sense as labour inputs for farm and domestic chores. However, it must be concluded that to adopt such a proactive role will require a change in direction and emphasis in IFAD’s existing strategy.

258. While IFAD seeks a partner, it has generally worked alone. Not having had a presence in Egypt has put IFAD at a disadvantage when it comes to donor dialogue on development and partnerships. But this is not the whole story. IFAD has chosen either to cooperate principally with the WB or to work by itself. The alliance with the WB has the advantage of giving access to sound sectoral analysis, expanding the volume of resources devoted to activities IFAD cares about, and guaranteeing a measure of core project supervision during implementation. However, the achievement of many of IFAD’s priorities demands a degree of close attention to working on the ground and skills in participatory and community level approaches that cannot be provided by the typical IFI model of supervision. These priorities are best achieved through locally-provided skills and capacity building that is more effectively supported by grants, not loans. On balance, IFAD’s links to the WB have been positive, but more progress towards pro-poor development might have been made if IFAD had established partnerships with other members of the UN family and bilateral donors supported local institutions with grant resources, and invested in a larger number of small pilot projects that tested new approaches for scaling up results faster.

**Challenges**

259. Challenges to IFAD’s current future and achievements in Egypt come from a number of directions. The first is to establish an effective presence in donor forums in Cairo. IFAD has decided on an experimental basis to have a field presence in Egypt which is a step in the right direction if IFAD is to become a member of Egypt’s donor community with influence that at least matches its resources. As the PRSP process becomes the focus for donor support to Egypt, IFAD needs to be present to ensure that important rural development issues are not neglected. The second challenge is to engage in real and mutually-beneficial partnership. Given Egypt’s growing reluctance to borrow for activities that do not pay their way financially, IFAD will be hard pressed to propel its pro-poor agenda forward without strategic alliances with donors who share IFAD’s priorities and have grant resources to deploy in partnerships. IFAD experience in poverty reduction can be shared in return. The third challenge is to address inertia: move away from adherence too long to an old but comfortable agenda and unwillingness to apply new knowledge, identify new directions and take risks. IFAD’s first 20 years in Egypt could be seen as lagging behind corporate-level policy changes.

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While IFAD’s mandate became more clearly pro-poor and their empowerment and pro innovation, its programme did not adjust timely and its behaviour remained risk-averse.

260. A fourth challenge is therefore the inability to translate IFAD vision documents about development strategy into meaningful activities. IFAD’s more recent policy and strategy documents have identified rural development issues and priorities for poverty reduction. However, a gap exists between background documents and those that guide specific investments. This needs to be addressed in the new COSOP. The fifth challenge is the adoption of an approach to project implementation that is sufficiently demanding with respect to delivery and scheduling. IFAD needs to be firmer when needed with respect to previous agreements and determined schedules. It has also to apply the same discipline to its own responses to project and borrower needs. The final challenge relates to the working environment in Egypt itself. IFAD will become better able to support rural development that is targeted at the poor more effectively when Egypt’s civil society organizations grow and mature. Currently, the capacity of civil society organizations is modest and it will take a more supportive policy environment plus effective capacity building before that changes.

B. Recommendations

261. **Have a presence in Cairo.** IFAD has agreed to place staff in Cairo on an experimental basis for three years, as a part of a field presence pilot programme in 15 countries approved by IFAD’s Executive Board in December 2003. This is a very good decision. What is not clear is the level of the staff involved. The CPE recommends that IFAD place a senior local professional in Egypt able to deal effectively with counterparts in the GOE and potential partners. She/he should have a strong professional background, be able to articulate effectively on sectoral policy, rural development and poverty issues as well as project implementation. She/he should participate in GOE and donor forums that plan, monitor and evaluate donor assistance to the rural sector and occasionally participate in project supervision missions. A major task of such a placement should be to aim at **improving the management efficiency of the development processes** relating to IFAD’s programme in Egypt. This concerns not only the processes that are driven by IFAD, such as the COSOP, but also insisting on higher levels of efficiency being achieved by IFAD’s development partners in managing their programme. IFAD should support moves to improve management efficiency with funding, where appropriate.

262. **Shift the regional focus of IFAD’s strategy.** The lens to focus IFAD’s future strategy and programme should be the changing profile of rural poverty. IFAD should shift its strategic focus towards the poor rural areas of the governorates in Upper Egypt. Using data from the Organization for Reconstruction and Development of the Egyptian Village, UNDP and others, IFAD should target the poorest rural communities and address the needs of landless, men and women for employment and income equitably. No new commitments should be made to the West Delta, but IFAD should share its experience in new settlements with all partners. Settlements there have now become mature and do not require IFAD assistance any more. The knowledge needed to make further progress here should come from the private sector to improve marketing by small farmers. However, work in the East Delta is not finished and a medium-term exit strategy is needed after critical technical and social infrastructure gaps are closed. GOE, IFAD and the WB should be encouraged to do this.

263. **Update the COSOP.** The CPE found that there is a need to formulate a new COSOP to take account of the fast-changing circumstances in the rural economy of Egypt and the economic policy at large. The strategy needs to be more closely aligned to GOE’s priorities and better focused to give specific guidance to project designers. During this process IFAD should take full account of the potential for widening partnerships with other funding agencies (see below - Work through Partnership). Suggestions for elements that should be considered in the new strategy can be found in Appendix VII.

264. **Improve community-based poverty targeting.** IFAD’s targeting has been very broad. In future it should use the available socio-economic data to improve its community-based targeting,
especially to guide more work in rural areas of poor governorates of rural Upper Egypt. Emphasis should be put on places and population categories where rural poverty is getting worse, not getting better. IFAD should re-examine its approach to targeting rural communities and households to identify simple ways of targeting that focus more on the lowest quintiles among small farmers, women farmers and women-headed households, the landless and people without assets.

265. **Invest more in social development early, and use more grants often.** IFAD’s investment so far has given stronger emphasis on the hardware needed for poverty reduction, e.g. agriculture services, irrigation and rural infrastructure and credit. Emphasis on local level institutional strengthening and community development has received overall less attention (i.e. building social capital). There is a need to develop a programmatic approach regarding IFAD support in these two main areas, indispensable for rural poverty reduction. The recent trend set by the design of the Sohag and West Noubaria project should be maintained and emphasized. However, as is evident in the case of Sohag, local level institutional strengthening is often a precondition for other agricultural investment and rural infrastructure. There is a need to sequence interventions in future IFAD programmes such that local level institutional support, training in participatory approaches and community development precede infrastructure and agriculture development. The appropriate mix of instruments (lending and non-lending) should be used to achieve the appropriate sequencing and balance. The judicious use of grants to catalyze key activities and processes should be expanded.

266. **Re-evaluate rural credit.** IFAD’s rural credit programme has largely failed. In cooperation with GOE and development partners, IFAD should carefully re-evaluate this experience before making any new commitments to rural finance. Any future strategy for rural finance should strengthen rural financial institutions and deepen financial services. IFAD should stop promoting rural credit and start to apply its own rural finance policy. Two strategic options are possible that have been tried successfully in other parts of the world: the first would strengthen the village banking network and extend its reach to poorer areas and market segments including women and the landless; and, the second would promote community-based micro finance institutions owned and managed by their members, including apex services that provide training, liquidity exchange and refinancing, advocacy and policy dialogue. Without top-level commitment to development of sustainable rural financial systems that serve the poor, IFAD should end its support to this subsector.

267. **Strengthen the sectoral knowledge base further.** IFAD needs to strengthen further its sectoral and subsectoral knowledge base to sharpen the focus of its future support for agriculture and the rural sector. This can be done through closer associations with Egyptian universities and research organizations, IFIs, UN organizations and bilaterals with strong presence in Egypt, CGIAR institutions, and other relevant bodies. IFAD’s in-house resources for policy analysis are good but too stretched to provide the guidance needed for detailed country programming. IFAD should expand its in-house policy resources for NENA and develop further its links to sources of sound policy analysis if it is to make the transition from a project-based, financing organization to a programme-based, innovative knowledge organization that catalyses development through its participation and funding. IFAD’s work is also little known in the wide development circles in Egypt. To be a valuable and influential partner IFAD must share its knowledge in rural poverty alleviation through contributing to relevant fora and organizing its own.

268. **Work through partnership.** IFAD must work less in isolation and more in partnership with like-minded others. Partnerships should be sought both on the basis of shared goals, objectives and values and on the basis of practical synergies where the strengths of partners are complementary. For example, IFAD can gain sectoral analysis from its close association with the WB, whereas partnerships with IDS, EU or bilateral agencies provide access to grant resources, which can lower the net cost of IFAD-supported operations. Partnership with NGOs and civil society organization, financed by grants, should increase proximity to the target groups. The precursor to developing such partnerships is to clearly identify IFAD’s “niche”, so that the value-added by cooperating with the Fund can be demonstrated. The logical time to seek new partners is during the process of updating the country strategy, when the “fit” with the development objectives of potential partners can be assessed.
Engage in policy dialogue where influence can be made. IFAD seeks to be a privileged dialogue partner of GOE and key donors. To achieve this, IFAD has to equip itself with relevant knowledge and experience, be present in the appropriate forums, employ its links to leaders and policy-makers, and engage. There are many areas of potential engagement and IFAD has to choose carefully and selectively – in consultation with partners – where it can use its knowledge and limited resources to influence. There are a number of options for IFAD to select from. Making sustainable financial systems accessible to the rural poor? Improving overall water use efficiency? Making water resource management participatory? Helping MALR and MWRI work more cooperatively? Developing applied research and extension systems that are responsive to farmers, unified, and effective on newlands and oldlands? Advancing an FSR approach to agricultural research and extension? Making the rural environment friendlier for NGOs and civil society organizations? Closing the gender gap? It will require a clear analysis of opportunities and options before IFAD can make the required choices.

Become a leader for rural poverty reduction. In the PSRSP processes that are underway, there is a tendency for agriculture and the rural sector to get sidelined as the number of priority issues grows with support from specialized interests. When IFAD has a presence on the ground in Cairo it should take a lead to ensure that this does not happen in Egypt: most poverty is still rural. IFAD should team up with its obvious sectoral partners in the UN system (FAO and WFP, which have excellent resources in Cairo) and look for ways equitably to share this responsibility.

Strengthen gender emphasis. IFAD’s support for improved gender equity has produced limited results relative to both the claims and the needs. Culturally and politically, the environment for gender development, despite recent improvement, still need further strengthening. For this reason, IFAD has to become more strategic in the choices that it makes on gender, more openly committed to promoting gender equity, and prepared to drop its support for activities that maintain the status quo. If IFAD targets its programme to where rural poverty is greatest, in Southern Upper Egypt, then it needs also to focus more on women as farmers by drawing them fully into research, extension and micro-credit activities. Gender has to be a mandatory dimension of improved M&E systems. IFAD should use its grant mechanism more forcefully to raise the profile of gender issues with its development partners throughout its programme.

Work faster. IFAD has committed about USD 184.9 million to nine projects in Egypt over 25 years. While IFAD seeks to be both a dependable partner and innovative, working at this slow pace and on this large scale per project makes for slow progress. Delays in project implementation and readiness to extend closing dates repeatedly exacerbated the problem. IFAD should consider developing a portfolio with a larger number of smaller more focused and innovative projects that are implemented faster, e.g., projects completed within four to five years and not extended unless they have been fully evaluated for effectiveness, efficiency, institutional development and likely sustainability. By expanding its work with the EU, bilateral donors and IDS, IFAD could leverage its resources and to work faster.

Improve project readiness. IFAD has appraised and approved projects with large components that were unprepared for implementation. No safeguards were installed to find feasible alternatives. It often took the Government a long time to declare projects effective. Both parties must ensure that projects are well prepared and that well-prepared projects are implemented on time. When infrastructure is involved, the quality of detailed design work has to be raised using adequate preparation funds to ensure that there are no costly surprises after projects are approved.

Reassess supervision approaches. To implement innovative projects and pilot actions, or to scale-up successes, IFAD needs to get closer to the action on the ground and to get more out of project supervision. Project supervision usually has two main parts: maintaining fiduciary responsibility and solving problems to support effective implementation. Particularly in IFIs supervision, the former dominates the latter. IFAD should re-evaluate its approach to project supervision and be prepared to
devote more of its own resources for appropriate implementation support. IFAD should review the type of results it wants from supervision in Egypt and no longer accept weak performance in M&E.

275. **Replicate successful innovations and promote their scaling up.** Successful innovative approaches in IFAD’s current programme should be supported and replicated. The gains made through FSR under APIP are a good example. These results should be carefully documented and assessed for wider application. Returns to investment in agricultural research in Egypt are still high and IFAD should consider supporting agricultural research and extension for Southern Upper Egypt within a unified system. Support for FSR should be continued but focused even more closely on what is profitable to small farmers and with additional contributions from farm economics and social science. The investment needs of the upstream research system that would provide the basic building blocks of applied research in the poor governorates of Upper Egypt should also be assessed and supported if appropriate.

276. **Assess scope for off-farm income and employment, especially for women.** The need to understand how to accelerate off-farm income and employment in rural areas is appreciated, but not analyzed and answered. IFAD should consider investing in knowledge of how to support effectively the generations of off-farm employment through rural SMEs development, skill training, enterprise development services and the effective use of micro-finance. The particular needs of rural women for profitable and remunerative work on and off the farm demand attention.

277. **Keep a foot in the water.** Large donors are planning to support major new initiatives in integrated irrigation system development and management in Egypt. This is a critical subsector and IFAD should assess if and how it might contribute to the effort by supporting institutional cooperation and the development of tertiary-level and on-farm developments. IFAD should begin to participate in the discussions to identify how to use water resources most efficiently to gain the greatest reduction in poverty per unit of water used in poor areas.

278. **Re-orient SRDP.** SRDP is an innovative rural infrastructure project that is relevant and geographically well targeted. Creatively managed, this project could influence the SHROUK Programme and the SFD. However, SRDP’s overall performance is modest and it risks becoming simply a supplementary funding source for much larger programs. SRDP should be reviewed to make it a more effective catalyst for change. In addition, SRDP’s management is trying to implement a big-budget project with a small-project team and this needs to be reviewed and strengthened.

279. **Communicate better.** IFAD’s work is neither widely known nor fully appreciated in Egypt outside the offices of its closest collaborators. Awareness of IFAD’s work should be raised through greater participation in development forums in-country and more attention to brief communication products that are widely shared with clients and partners.
APPENDICES

Appendix I   Selected Tables:

Table 1.  IFAD lending programme in Egypt
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Appendix III  Recommendations from the External Reviewer – Suggested Topics for Consideration during the Updating of the COSOP

Appendix IV  Programme Performance: Closed Projects and APIP
<table>
<thead>
<tr>
<th>#</th>
<th>Project Name</th>
<th>Loan No.</th>
<th>IFAD Approved Loan (USD mill)</th>
<th>Board Approval</th>
<th>Loan Signing</th>
<th>Loan Effectiveness</th>
<th>Original Project Completion&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Current Project Completion</th>
<th>Expected Implementation Period (years)</th>
<th>Actual Implementation Period (years)</th>
<th>Delay in implementation (% of original)</th>
<th>Project Status</th>
<th>Project Status as at 13/08/2004 (%)</th>
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<tr>
<td>1</td>
<td>West Beheira settlement project (WBSP)</td>
<td>54</td>
<td>28.00</td>
<td>Dec 80</td>
<td>Dec 80</td>
<td>Aug 81</td>
<td>Aug 87</td>
<td>Jun 92</td>
<td>6</td>
<td>11</td>
<td>83</td>
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<td>2</td>
<td>Minya agricultural development project (MADP)</td>
<td>114</td>
<td>25.00</td>
<td>Dec 82</td>
<td>Dec 82</td>
<td>Jul 83</td>
<td>Jul 88</td>
<td>Jun 99</td>
<td>5</td>
<td>16</td>
<td>220</td>
<td>Closed</td>
<td>100</td>
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<td>3</td>
<td>Fayoum agricultural development project (FADP)&lt;sup&gt;a&lt;/sup&gt;</td>
<td>157</td>
<td>10.20</td>
<td>Sep 84</td>
<td>Nov 84</td>
<td>Dec 85</td>
<td>Dec 90</td>
<td>Jun 93</td>
<td>5</td>
<td>8</td>
<td>60</td>
<td>Closed</td>
<td>100</td>
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<tr>
<td>4</td>
<td>Newlands agricultural services project (NASP)</td>
<td>306</td>
<td>25.00</td>
<td>Apr 92</td>
<td>Dec 92</td>
<td>Dec 93</td>
<td>Dec 00</td>
<td>Dec 00</td>
<td>7</td>
<td>7</td>
<td>0</td>
<td>Closed</td>
<td>100</td>
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<td>5</td>
<td>Agricultural production intensification project (APIP)</td>
<td>355</td>
<td>20.20</td>
<td>Apr 94</td>
<td>Jun 94</td>
<td>Jan 95</td>
<td>Jan 02</td>
<td>Jun 05</td>
<td>7</td>
<td>..</td>
<td>..</td>
<td>Ongoing</td>
<td>90.08</td>
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<td>East Delta Newlands agricultural services project (EDNASP)</td>
<td>440</td>
<td>25.00</td>
<td>Dec 96</td>
<td>Mar 98</td>
<td>Jan 99</td>
<td>Jan 05</td>
<td>Mar 05</td>
<td>6</td>
<td>..</td>
<td>..</td>
<td>Ongoing</td>
<td>41.58</td>
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<tr>
<td>7</td>
<td>Sohag rural development project (SRDP)</td>
<td>484</td>
<td>25.00</td>
<td>Sep 98</td>
<td>Dec 98</td>
<td>Jun 01</td>
<td>Jun 07</td>
<td>Jun 07</td>
<td>6</td>
<td>..</td>
<td>..</td>
<td>Ongoing</td>
<td>16.83</td>
</tr>
<tr>
<td>8</td>
<td>West Noubaria rural development project (WNRDP)</td>
<td>582</td>
<td>18.49</td>
<td>Apr 02</td>
<td>May 02</td>
<td>Apr 03</td>
<td>Apr 10</td>
<td>Jun 10</td>
<td>7</td>
<td>..</td>
<td>..</td>
<td>Ongoing</td>
<td>6.38</td>
</tr>
<tr>
<td>9</td>
<td>Second Matruh resource management project (Matruh II)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>604</td>
<td>12.70</td>
<td>Dec 02</td>
<td>Mar 03</td>
<td>6</td>
<td>..</td>
<td>..</td>
<td>Not Effective</td>
<td>0</td>
<td>Not Effective</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Project and Portfolio Management System (PPMS)

<sup>a</sup> Total IFAD loan was for USD 10.2 million equivalent. However USD 0.2 million was for recovery of project preparation costs & was not included in total project costs.

<sup>b</sup> For this project, the government has recently requested to reduce the IFAD loan from USD12.7 mill to 1.5 mill, and the WB loan from USD 12.35 mill to 4 mill.

<sup>c</sup> The IFAD total actual loan amount is USD185.85 millions due to the cancellation from some loans.

<sup>d</sup> The original project completion dates are calculated by the evaluation team based on the loan effectiveness and the expected implementation period.
Table 2. Co-financing of IFAD projects in Egypt (USD million)

<table>
<thead>
<tr>
<th>#</th>
<th>Projects</th>
<th>IFAD</th>
<th>Government</th>
<th>Beneficiaries</th>
<th>Cofinanciers</th>
<th>Total</th>
<th>Appraising institution</th>
<th>Cooperating institution</th>
<th>Note on Cofinanciers</th>
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<tr>
<td>1</td>
<td>WBSP</td>
<td>28.00</td>
<td>9.80</td>
<td></td>
<td></td>
<td>37.80</td>
<td>WB</td>
<td>WB</td>
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<tr>
<td>2</td>
<td>MADP</td>
<td>25.00</td>
<td>21.60</td>
<td>1.20</td>
<td></td>
<td>47.80</td>
<td>WB</td>
<td>WB/UNOPS**</td>
<td>none</td>
</tr>
<tr>
<td>3</td>
<td>FADP</td>
<td>10.00*</td>
<td>20.60</td>
<td>6.70</td>
<td></td>
<td>37.30</td>
<td>WB</td>
<td>WB:IBRD</td>
<td>1) The Federal Republic of Germany (FRG) through its executing agency KfW</td>
</tr>
<tr>
<td>4</td>
<td>NASP</td>
<td>25.00</td>
<td>19.40</td>
<td></td>
<td></td>
<td>44.40</td>
<td>IFAD</td>
<td>UNOPS</td>
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</tr>
<tr>
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<td>APIP</td>
<td>20.20</td>
<td>15.70</td>
<td>3.30</td>
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<td>39.20</td>
<td>IFAD</td>
<td>UNOPS</td>
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<td>6</td>
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<td>15.83</td>
<td>24.34 15.16</td>
<td>11.13</td>
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<td>WB:IDA</td>
<td>1) IDA, 2) Egyptian Principal Bank for Dev. &amp; Agric. Credit (PBDAC)</td>
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<td>7</td>
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<td>23.55</td>
<td>17.08 25.00</td>
<td>0.11 3.02</td>
<td>93.75</td>
<td>WB</td>
<td>WB:IDA</td>
<td>1) IDA, 2) Sohag Bank for Dev. &amp; Agric. Credit (BDAC), &amp; 3) other cofinancier to be identified</td>
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<td>8</td>
<td>WNRDP</td>
<td>18.48</td>
<td>5.54</td>
<td>0.20 30.13</td>
<td>0.40</td>
<td>54.75</td>
<td>IFAD</td>
<td>UNOPS</td>
<td>1) The Italian Republic (Italian Debt Swap - IDS), &amp; 2) FAO (a)</td>
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<td>9</td>
<td>Matruh II</td>
<td>12.70</td>
<td>10.36</td>
<td>4.39 12.22</td>
<td>5.17</td>
<td>44.83</td>
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<td>WB:IBRD</td>
<td>1) IBRD, and 2) Global Environment Facility (GEF) (b)</td>
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<td></td>
<td><strong>Total</strong></td>
<td>189.4</td>
<td>142.4</td>
<td>50.5 52.4 36.8</td>
<td>11.2 8.6</td>
<td>491.3</td>
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</tbody>
</table>

Sources: Appraisal Report and Report and Recommendation of the President to the Executive Board of each project, and PPMS.

* Total IFAD loan was for USD 10.2 million equivalent. However USD 0.2 million was for recovery of project preparation costs & was not included in total project costs.

** UNOPS was supervising only one small activity of livestock development component of Minya project.

(a) Financing by the Italian Republic was from Debt Swap scheme & by FAO was grant.

(b) Financing from GEF was grant.
Table 3. Original allocation of IFAD loans by project components
IFAD approved loans as per original loan agreements

<table>
<thead>
<tr>
<th>#</th>
<th>Project activities by components</th>
<th>WBSP</th>
<th>MADP</th>
<th>FADP</th>
<th>NASP</th>
<th>APIP</th>
<th>EDNASP</th>
<th>SRDP</th>
<th>WNRPD</th>
<th>Matruh II</th>
<th>All 9 projects</th>
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<tr>
<td></td>
<td></td>
<td>USD (mill)</td>
<td>% of IFAD loan</td>
<td>USD (mill)</td>
<td>% of IFAD loan</td>
<td>USD (mill)</td>
<td>% of IFAD loan</td>
<td>USD (mill)</td>
<td>% of IFAD loan</td>
<td>USD (mill)</td>
<td>% of IFAD loan</td>
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<tr>
<td>1</td>
<td>Agricultural research</td>
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<td>0.70</td>
<td>2.80</td>
<td>0.90</td>
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<td>1.20</td>
</tr>
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<td>2</td>
<td>Agricultural extension</td>
<td>4.90</td>
<td>19.60</td>
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<td>11.20</td>
<td>7.00</td>
<td>34.65</td>
<td>0.40</td>
<td>1.60</td>
</tr>
<tr>
<td>3</td>
<td>Other agricultural support services</td>
<td>7.86</td>
<td>31.44</td>
<td>0.22</td>
<td>2.20</td>
<td>0.86</td>
<td>3.41</td>
<td>2.5</td>
<td>10.7</td>
<td>0.8</td>
<td>0.42</td>
</tr>
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<td>4</td>
<td>Livestock development</td>
<td>5.10</td>
<td>20.40</td>
<td>0.47</td>
<td>4.70</td>
<td>0.08</td>
<td>0.43</td>
<td>0.08</td>
<td>0.43</td>
<td>0.08</td>
<td>0.43</td>
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<tr>
<td>5</td>
<td>Rural credit</td>
<td>2.70</td>
<td>9.64</td>
<td>5.40</td>
<td>21.60</td>
<td>19.40</td>
<td>77.60</td>
<td>11.90</td>
<td>58.91</td>
<td>13.00</td>
<td>52.00</td>
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<tr>
<td>6</td>
<td>Enterprise &amp; financial market development</td>
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<td>1.20</td>
<td>0.11</td>
<td>0.44</td>
<td>0.11</td>
<td>0.61</td>
<td>0.28</td>
<td>2.20</td>
<td>0.08</td>
<td>0.43</td>
</tr>
<tr>
<td>7</td>
<td>Rural infrastructure</td>
<td>18.90</td>
<td>67.50</td>
<td>13.73</td>
<td>54.92</td>
<td>7.78</td>
<td>42.10</td>
<td>1.98</td>
<td>15.55</td>
<td>1.98</td>
<td>15.55</td>
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<tr>
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<td>Water management &amp; usage</td>
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<td>6.40</td>
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<td>4.60</td>
<td>0.85</td>
<td>4.60</td>
<td>0.8</td>
<td>4.60</td>
<td>0.8</td>
<td>4.60</td>
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<td>10</td>
<td>Natural resource management</td>
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<td>11</td>
<td>Local institutional strengthening &amp; community development</td>
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<td>0.40</td>
<td>0.50</td>
<td>2.00</td>
<td>0.40</td>
<td>1.98</td>
<td>0.52</td>
<td>2.08</td>
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<td>100</td>
<td>25.00</td>
<td>100</td>
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</tbody>
</table>

Sources: Appraisal Report, Report and Recommendation of the President to the Executive Board, and Loan Agreement of each project.
● Figures include share in financing local as well as foreign exchange components
● Physical and price contingencies are included in these figures
* From Appraisal Report, it is not possible to separate costs for Agric. Research & Extension component, thus each activity is assumed to account for 50% of the total cost. Similarly, component Rural Credit also includes some cost for marketing.
Table 4. Original allocation and reallocation of IFAD loan by categories

(SDR million)

<table>
<thead>
<tr>
<th>#</th>
<th>Project activities by categories of expenditures</th>
<th>WBSPa</th>
<th></th>
<th></th>
<th>MADPb</th>
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<th>FADP</th>
<th></th>
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<tr>
<td></td>
<td></td>
<td>Original</td>
<td>Reallocation</td>
<td>Change against original</td>
<td>Original</td>
<td>Reallocation</td>
<td>Change against original</td>
<td>Original</td>
<td>Reallocation</td>
<td>Change against original</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SDR</td>
<td>%</td>
<td>SDR</td>
<td>%</td>
<td>SDR</td>
<td>%</td>
<td>SDR</td>
<td>%</td>
<td>SDR</td>
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<td>Civil works</td>
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<td><strong>11.10</strong></td>
<td>7.72</td>
<td>32.78</td>
<td>7.42</td>
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<td>2</td>
<td>Vehicles, equipment, machinery &amp; supplies</td>
<td>1.4</td>
<td>6.42</td>
<td>3.22</td>
<td>16.34</td>
<td><strong>1.82</strong></td>
<td><strong>129.9</strong></td>
<td>7.54</td>
<td>32.02</td>
<td>8.30</td>
</tr>
<tr>
<td>3</td>
<td>Credit</td>
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<td><strong>-100.0</strong></td>
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<td>18.81</td>
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</tr>
<tr>
<td>4</td>
<td>Project administration, operation &amp; maintenance</td>
<td>0.40</td>
<td>1.83</td>
<td>0.38</td>
<td>1.92</td>
<td><strong>-0.02</strong></td>
<td><strong>-5.25</strong></td>
<td>4.37</td>
<td>18.02</td>
<td>5.55</td>
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<tr>
<td>5</td>
<td>Consultants services, TA &amp; training</td>
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<td>8.94</td>
<td>1.49</td>
<td>7.56</td>
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<td><strong>-23.59</strong></td>
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<td>Unallocated</td>
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<td>17.89</td>
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<td>0.00</td>
<td><strong>-3.90</strong></td>
<td><strong>-100.0</strong></td>
<td>2.82</td>
<td>11.97</td>
<td>0.00</td>
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<tr>
<td>7</td>
<td>Recovery of project preparation costs</td>
<td>0.17</td>
<td>0.78</td>
<td>0.00</td>
<td>0.00</td>
<td>0.17</td>
<td>0.78</td>
<td>0.17</td>
<td>0.78</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
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<td><strong>-2.1</strong></td>
<td><strong>-10</strong></td>
<td>23.55</td>
<td>100</td>
<td>21.94</td>
</tr>
</tbody>
</table>

Sources: Loan Agreement, LGS Status of Funds by Category as at 11 March 2004, Supervision reports, Mid-term Review and Interim Evaluation/Completion reports.

a) For West Beheira project, SDR 2.1 million was not utilized, then was transferred to the Newlands project.
b) For Minya project a total amount of SDR 1.61 million was not utilized, thus was canceled from IFAD loan.
c) For Sohag, the reallocation is based on the Mid-term Review in 2003.
<p>| # | Project activities by categories of expenditures | NASP | | | APIP | | | EDNASP | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Original | Reallocation | Change against original | Original | Reallocation | Change against original | Original | Reallocation | Change against original |
| | SDR | % | SDR | % | SDR | % | SDR | % | SDR | % | SDR | % |
| 1 | Civil works | 0.22 | 1.20 | 1.51 | 8.24 | <strong>1.29</strong> | <strong>585.4</strong> | 0.50 | 3.46 | 1.12 | 7.75 | <strong>0.62</strong> | <strong>124</strong> | 6.23 | 36.01 | 9.19 | 53.12 | <strong>2.96</strong> | <strong>47.51</strong> |
| 2 | Vehicles, equipment, machinery &amp; supplies | 1.83 | 10.00 | 2.56 | 13.99 | <strong>0.73</strong> | <strong>39.90</strong> | 2.27 | 15.71 | 2.52 | 17.44 | <strong>0.25</strong> | <strong>11.01</strong> | 2.08 | 12.02 | 4.32 | 24.97 | <strong>2.24</strong> | <strong>107.7</strong> |
| 3 | Credit | 11.28 | 61.64 | 9.71 | 53.08 | <strong>-1.57</strong> | <strong>-75.12</strong> | 6.25 | 43.25 | 6.95 | 48.10 | <strong>0.70</strong> | <strong>11.20</strong> | 6.92 | 40.00 | 1.72 | 9.94 | <strong>-5.20</strong> | <strong>-75.1</strong> |
| 4 | Project administration, operation &amp; maintenance | 1.54 | 8.42 | 1.93 | 10.55 | <strong>0.39</strong> | <strong>25.30</strong> | 1.12 | 7.75 | 0.50 | 3.46 | <strong>-0.62</strong> | <strong>-55.36</strong> | 0.35 | 2.02 | 0.35 | 2.02 | <strong>0.00</strong> | <strong>0.0</strong> |
| 5 | Consultants services, TA &amp; training | 1.61 | 8.80 | 2.59 | 14.15 | <strong>0.98</strong> | <strong>60.78</strong> | 2.93 | 20.28 | 1.98 | 13.70 | <strong>-0.95</strong> | <strong>-32.42</strong> | 0.70 | 4.05 | 0.70 | 4.05 | <strong>0.00</strong> | <strong>0.0</strong> |
| 6 | Unallocated | 1.82 | 9.95 | 0.00 | 0.00 | <strong>-1.82</strong> | <strong>-100</strong> | 1.38 | 9.55 | 1.38 | 9.55 | <strong>0.00</strong> | <strong>0.00</strong> | 1.02 | 5.90 | 1.02 | 5.90 | <strong>0.00</strong> | <strong>0.0</strong> |
| 7 | Recovery of project preparation costs | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| Total | 18.30 | 100 | 18.30 | 100 | <strong>0.0</strong> | <strong>0.0</strong> | 14.45 | 100 | 14.45 | 100 | <strong>0.00</strong> | <strong>0.00</strong> | 17.30 | 100 | 17.30 | 100 | <strong>0.0</strong> | <strong>0.0</strong> |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>Project activities by categories of expenditures</th>
<th>SRDP</th>
<th>WNRDP</th>
<th>Matruh II</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Original</td>
<td>Reallocation Scenario B</td>
<td>Change against original Scenario B</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SDR</td>
<td>SDR</td>
<td>SDR</td>
</tr>
<tr>
<td>1</td>
<td>Civil works</td>
<td>9.40</td>
<td>7.97</td>
<td>-1.43</td>
</tr>
<tr>
<td>2</td>
<td>Vehicles, equipment, machinery &amp; supplies</td>
<td>0.60</td>
<td>0.60</td>
<td>0.00</td>
</tr>
<tr>
<td>3</td>
<td>Credit</td>
<td>7.30</td>
<td>1.20</td>
<td>-6.10</td>
</tr>
<tr>
<td>4</td>
<td>Project administration, operation &amp; maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Consultants services, TA &amp; training</td>
<td>0.53</td>
<td>0.53</td>
<td>0.00</td>
</tr>
<tr>
<td>6</td>
<td>Unallocated</td>
<td>1.02</td>
<td>1.02</td>
<td>0.00</td>
</tr>
<tr>
<td>7</td>
<td>Recovery of project preparation costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>18.85</td>
<td>11.32</td>
<td>-7.53</td>
</tr>
</tbody>
</table>
Table 5. Aggregate original allocation and reallocation* of IFAD loans by categories of the 9 projects

<table>
<thead>
<tr>
<th>#</th>
<th>Project activities by categories of expenditures</th>
<th>Original SDR (mill)</th>
<th>Original %</th>
<th>Reallocation SDR (mill)</th>
<th>Reallocation %</th>
<th>Change against original SDR (mill)</th>
<th>Change against original %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Civil works</td>
<td>50.54</td>
<td>34.02</td>
<td>54.46</td>
<td>39.67</td>
<td>3.92</td>
<td>7.76</td>
</tr>
<tr>
<td>2</td>
<td>Vehicles, equipment, machinery &amp; supplies</td>
<td>17.91</td>
<td>12.06</td>
<td>23.67</td>
<td>17.24</td>
<td>5.76</td>
<td>32.15</td>
</tr>
<tr>
<td>3</td>
<td>Credit</td>
<td>49.06</td>
<td>33.03</td>
<td>39.95</td>
<td>29.10</td>
<td>-9.11</td>
<td>-18.56</td>
</tr>
<tr>
<td>4</td>
<td>Project administration, operation &amp; maintenance</td>
<td>3.41</td>
<td>2.30</td>
<td>3.16</td>
<td>2.30</td>
<td>-0.25</td>
<td>-7.37</td>
</tr>
<tr>
<td>5</td>
<td>Consultants services, TA &amp; training</td>
<td>11.59</td>
<td>7.80</td>
<td>10.15</td>
<td>7.39</td>
<td>-1.44</td>
<td>-12.42</td>
</tr>
<tr>
<td>6</td>
<td>Unallocated</td>
<td>15.87</td>
<td>10.68</td>
<td>5.76</td>
<td>4.20</td>
<td>-10.11</td>
<td>-63.71</td>
</tr>
<tr>
<td>7</td>
<td>Recovery of project preparation costs</td>
<td>0.17</td>
<td>0.11</td>
<td>0.15</td>
<td>0.11</td>
<td>-0.02</td>
<td>-12.35</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>148.55</td>
<td>100</td>
<td>137.30</td>
<td>100</td>
<td>-11.25</td>
<td>-7.57</td>
</tr>
</tbody>
</table>

Sources: Loan Agreement, LGS Status of Funds by Category as at 11 March 2004, Supervision reports, Mid-term Review and Interim/Completion reports.
* for Sohag, the reallocation is based on scenario B.
<table>
<thead>
<tr>
<th>#</th>
<th>Name of grant</th>
<th>Benefiting countries</th>
<th>Executing Institution</th>
<th>Approval date</th>
<th>Effective-ness date</th>
<th>Current closing date</th>
<th>Grant amount (USD)</th>
<th>Status</th>
<th>Objectives</th>
<th>Activities</th>
<th>Links to projects in Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NENA management training in agriculture (NENAMTA) programme (Technical Assistant Grant: TAG)</td>
<td>Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, &amp; Yemen.</td>
<td>AfDB &amp; EDI of WB</td>
<td>Dec-94</td>
<td>Apr-96</td>
<td>Jun-07</td>
<td>3 000 000</td>
<td>Ongoing</td>
<td>1) To improve the performance of agricultural projects &amp; programmes in the participating countries; 2) to increase awareness among decision makers about admin. problems that would prevent agric. projects/programmes from achieving their objectives; &amp; 3) to strengthen the training capacities of national institutions.</td>
<td>1) Training of trainers (TOT); 2) training to project/programme managers, senior staff &amp; procurement officers with priority given to projects funded by NENAMTA financiers; &amp; 3) full-scale training to largest possible No. of managers &amp; national training institutions to assume full responsibility for the programme.</td>
<td>Around 80 project staff &amp; 10 staff from national training institutions, including from Egypt, are to receive training.</td>
</tr>
<tr>
<td>2</td>
<td>Programme of action to assist IFAD projects to reach rural women in NENA countries (TAG)</td>
<td>Algeria, Egypt, Gaza &amp; the West Bank, Jordan, Lebanon, Morocco, Sudan, Syria, Tunisia, &amp; Yemen.</td>
<td>IFAD</td>
<td>May-00</td>
<td>Apr-01</td>
<td>Dec-05</td>
<td>944 000</td>
<td>Ongoing</td>
<td>1) To improve the ability of concerned IFAD, govern.t &amp; project-level staff to analyze &amp; address gender-related constraints &amp; opportunities in the design &amp; implementation of projects; &amp; 2) to increase access by women members of the target group to resources required to increase economic productivity.</td>
<td>1) Gender-analysis training &amp; briefing to IFAD headquarter, govern.t &amp; project-level staff; 2) Technical assistance (TA) to rural women's activities including: a) support to marketing of outputs produced by women, b) women's access to &amp; use of rural financial services, c) crop &amp; livestock-production skills, &amp; c) functional literacy; &amp; 3) knowledge-building: documenting &amp; disseminating knowledge &amp; information acquired during programme implementation &amp; M&amp;E.</td>
<td>Gender mainstreaming component in newer projects in Egypt will be reviewed to integrate TA to rural women's activities. Related to SRDP and EDASP in Egypt.</td>
</tr>
<tr>
<td>3</td>
<td>Action-research programme on the identification and testing of methodologies and approaches for effective introduction of participatory irrigation management (PIM) (TAG)</td>
<td>Armenia, Egypt, Morocco, &amp; Tunisia.</td>
<td>CIHEAM</td>
<td>Apr-01</td>
<td>Apr-01</td>
<td>Jun-06</td>
<td>1 600 000</td>
<td>Ongoing</td>
<td>To help develop methodologies &amp; approaches for effective introduction of PIM as a basis for improving the effectiveness of IFAD-supported investments in irrigation.</td>
<td>1) Building awareness &amp; preparing favourable condition in terms of institutional &amp; legal framework to facilitate the introduction to PIM; 2) Capacity building &amp; Institutional Development: defining the skill gaps to provide training, developing training manuals &amp; technical booklets using lessons learnt, exploring &amp; analyzing the possibility to involve private sector &amp; to lower cost of delivering water; &amp; 3) Promoting policy dialogue.</td>
<td>Link to IFAD project in Egypt: WNASP and EDASP.</td>
</tr>
<tr>
<td>#</td>
<td>Name of grant</td>
<td>TAG no.</td>
<td>Benefiting countries</td>
<td>Executing Institution</td>
<td>Approval date</td>
<td>Effectiveness date</td>
<td>Current closing date</td>
<td>Grant amount (USD)</td>
<td>Status</td>
<td>Objectives</td>
<td>Activities</td>
</tr>
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<td>----</td>
<td>-------------------------------------------------------------------------------</td>
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<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>4</td>
<td>Marine Resources Management Programme in the Red Sea (TAG)</td>
<td>579</td>
<td>Djibouti, Egypt, Eritrea, Jordan, Saudi Arabia, Sudan, &amp; Yemen.</td>
<td>FAO</td>
<td>Apr-02</td>
<td>non-effective</td>
<td>na</td>
<td>1 000 000</td>
<td>Ongoing</td>
<td>1) To promote the development of the fisheries subsector; 2) to obtain reliable, up-to-date information on the state of fishery resources to support a common policy framework on fisheries mgt.; 3) to develop national institutional capacities to undertake activities related to marine resources surveys &amp; analysis; &amp; 4) to develop &amp; institutionalize the skills, capacities &amp; procedures in fisheries mgt.</td>
<td>1) Capacity building: for national staff &amp; fishing communities on basic concepts, practices of fisheries-resources mgt.; 2) Training courses &amp; regional working groups: to set up institutional programmes of work &amp; partnerships with fishing communities; 3) Marine resources assessment: small scale &amp; standardized marine resources surveys.</td>
</tr>
<tr>
<td>5</td>
<td>Improving access of the rural poor to financial services in the Near East-North Africa: a sustainable training programme (TAG)</td>
<td>353</td>
<td>Algeria, Mauritania, Morocco, Tunisia, Cyprus, Iran, Iraq, Libya, Egypt, Yemen, Lebanon, Syria, Oman, Sudan, Pakistan, Somalia &amp; Gaza &amp; the WB.</td>
<td>NENARACA</td>
<td>Dec-96</td>
<td>Sep-97</td>
<td>Jun-02</td>
<td>566 000</td>
<td>Effective</td>
<td>1) To deliver rural finance training on a sustainable basis based on the successful experiences &amp; knowledge in the previous 2 phases of support to NENARACA &amp; other IFAD innovative approaches in other regions; 2) to strengthen the training capacities of the local rural financial intermediaries (RFIs); &amp; 3) to reinforce the sustainability of NENARACA as a client-driven support agency, clearing house &amp; knowledge centre on rural finance in the region.</td>
<td>Training &amp; workshops on rural finance.</td>
</tr>
<tr>
<td>6</td>
<td>Develop a knowledge generation &amp; sharing network in the NENA region, Phase I (TAG)</td>
<td>666</td>
<td>Regional</td>
<td>IDRC</td>
<td>Sep-03</td>
<td>non-effective</td>
<td>na</td>
<td>1 000 000</td>
<td>Non-effective</td>
<td>na - Not effective</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Community-based optimization of the management of scarce water resources in agriculture in West Asia &amp; North Africa (TAG)</td>
<td>690</td>
<td>Egypt, Jordan, Morocco, Syria, &amp; Tunisia.</td>
<td>ICARDA</td>
<td>Dec-03</td>
<td>non-effective</td>
<td>na</td>
<td>1 000 000</td>
<td>Non-effective</td>
<td>na - Not effective</td>
<td></td>
</tr>
<tr>
<td>#</td>
<td>Name of grant</td>
<td>TAG no.</td>
<td>Benefiting countries</td>
<td>Executing Institution</td>
<td>Approval date</td>
<td>Effectiveness date</td>
<td>Current closing date</td>
<td>Grant amount (USD)</td>
<td>Status</td>
<td>Objectives</td>
<td>Activities</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------------------------------------------</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>8</td>
<td>Preparatory activities for the Programme for Regional Action on Participatory Natural Resources Management (PNRM) in the Middle East &amp; North Africa (TAG)</td>
<td>451</td>
<td>Egypt, Morocco, Tunisia, &amp; Armenia</td>
<td>IFAD</td>
<td>May-99</td>
<td>May-99</td>
<td>Dec-00</td>
<td>60 000</td>
<td>Closed</td>
<td>To carry out research to support countries in the region to improve water-use efficiency and ensure sustainability of irrigation system through participatory water management (PWM).</td>
<td>1) To assess ongoing PWM practices; 2) to secure the stakeholders’ participation &amp; support for action research; 3) to prepare a preliminary design document for a TA grant on PWM for the region.</td>
</tr>
<tr>
<td>9</td>
<td>Marine resources &amp; environmental surveys in the Red Sea, Northwest Arabian Sea &amp; the Gulfs (TAG)</td>
<td>463</td>
<td>Saudi Arabia, Yemen, Egypt, Djibouti, Jordan, Oman, United Arab Emirates, Sudan</td>
<td>FAO</td>
<td>Nov-99</td>
<td>Dec-99</td>
<td>Dec-00</td>
<td>68 000</td>
<td>Closed</td>
<td>To achieve the sustainable development of marine resource assessment surveys in the 3 regions &amp; potentially sustainable fisheries resources through the implementation of effective fisheries management.</td>
<td>1) To plan &amp; execute regular marine resources assessment surveys; 2) develop the institutional ability to analyze marine resource survey data &amp; produce appropriate documents; 3) produce marine resource mgt. advice base on the outcome of the surveys; &amp; 4) collect related marine environmental info.</td>
</tr>
<tr>
<td>10</td>
<td>Support to the Newlands Agric. Services project (TAG)</td>
<td>528N</td>
<td>Egypt</td>
<td>IFAD</td>
<td>Jun-01</td>
<td>Jun-01</td>
<td>Dec-01</td>
<td>22 000</td>
<td>Closed</td>
<td>To carry out Project Report Completion</td>
<td>na</td>
</tr>
<tr>
<td>11</td>
<td>Support to East Delta Newlands project (Special Operational Facility grant (SOF)</td>
<td>43</td>
<td>Egypt</td>
<td>IFAD</td>
<td>Nov-97</td>
<td>Mar-98</td>
<td>Dec-98</td>
<td>100 000</td>
<td>Closed</td>
<td>To finance start-up expenditures to facilitate project implementation.</td>
<td>To finance start-up expenditures to facilitate project implementation.</td>
</tr>
<tr>
<td>12</td>
<td>Support to Sohag Rural Dev. Project (NGO/Extended Cooperation Programme (ECP) grant)</td>
<td>147</td>
<td>Egypt</td>
<td>CRS (NGO)</td>
<td>Aug-99</td>
<td>Nov-99</td>
<td>Jun-02</td>
<td>75 000</td>
<td>Closed</td>
<td>To establish a local umbrella community development association in the Governorate of Sohag.</td>
<td>To establish a local umbrella community development association in the Governorate of Sohag.</td>
</tr>
</tbody>
</table>

Source: Reports from LGS and President Reports of certain grants.

ACSAD = Arab Center for the Studies of Arid Zones & Dry Lands
CIHEAM = International Center for Advanced Mediterranean Agronomic Studies
CRS = Catholic Relief Services; CEDARE = Center for Environment & Development in the Arab Region & Europe
NENARACA = Near East - North Africa Regional Agricultural Credit Association
ICARDA = International Centre for Agricultural Research in the Dry Areas
IDRC = International Development Research Center
Table 7. Egypt at a Glance

<table>
<thead>
<tr>
<th>POVERTY and SOCIAL</th>
<th>Egypt</th>
<th>M. East &amp; North Africa</th>
<th>Lower-middle-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>66.4</td>
<td>306</td>
<td>2,411</td>
</tr>
<tr>
<td>GNI per capita (Atlas method, US$)</td>
<td>1,470</td>
<td>2,070</td>
<td>1,380</td>
</tr>
<tr>
<td>GNI (Atlas method, US$ billions)</td>
<td>57.6</td>
<td>670</td>
<td>3,362</td>
</tr>
</tbody>
</table>

Average annual growth, 1996-02

| Population (%)                           | 1.9       | 1.9                    | 1.0                 |
| Lawn force (%)                            | 2.9       | 2.9                    | 1.2                 |

Most recent estimate (latest year available, 1996-02)

| Poverty (% of population below national poverty line) | 17        |           |           |
| Urban population (% of total population)             | 43        | 58        | 49       |
| Life expectancy at birth (years)                    | 69        | 69        | 69       |
| Infant mortality (per 1,000 live births)            | 35        | 37        | 30       |
| Child malnutrition (% of children under 5)          | 4         |           | 11       |
| Access to an improved water source (% of population)| 97        | 88        | 81       |
| Illiteracy (% of population age 15+)                 | 43        | 36        | 13       |
| Gross primary enrolment (% of school-age population)| 100       | 95        | 111      |
| Male                                                  | 103       | 95        | 111      |
| Female                                                | 96        | 90        | 110      |

KEY ECONOMIC RATIOS and LONG-TERM TRENDS (1992-2002)

| GDP (US$ billions)                                  | 25.6      | 41.9       | 91.1     | 83.7     |
| Gross domestic investment/GDP                       | 18.2      | 16.9       | 16.9     |           |
| Exports of goods and services/GDP                   | 29.0      | 20.0       | 17.4     | 16.2     |
| Gross domestic savings/GDP                          | 15.2      | 15.4       | 12.2     | 10.4     |
| Gross national savings/GDP                          | 22.1      | 17.5       | 15.4     |           |
| Current account balance/GDP                         | -9.9      | 5.4        | 0.0      | 0.0      |
| Interest payments/GDP                               | 2.3       | 2.5        | 0.8      | 0.9      |
| Total debt/GDP                                      | 106.8     | 74.4       | 32.1     |           |
| Total debt service/exports                           | 19.3      | 17.8       | 8.9      |           |
| Present value of debt/GDP                           | 2         | 27.5       |           |           |
| Present value of debt/exports                        |           | 115.3      |           |           |

(average annual growth)

| GDP         | 4.5       | 4.7       | 3.5      | 3.0      |           |
| GNP per capita| 2.0       | 2.9       | 1.9      | 1.1      |           |
| Exports of goods and services                       | 7.5       | 2.1       | 3.3      | -10.4    |           |


<table>
<thead>
<tr>
<th>(average annual growth) GDP</th>
<th>4.5</th>
<th>4.7</th>
<th>3.5</th>
<th>3.0</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP per capita</td>
<td>2</td>
<td>2.9</td>
<td>1.9</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>7.5</td>
<td>2.1</td>
<td>3.3</td>
<td>-10.4</td>
<td></td>
</tr>
</tbody>
</table>

STRUCTURE of the ECONOMY

<table>
<thead>
<tr>
<th>(% of GDP)</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Manufacturing</th>
<th>Services</th>
<th>Private consumption</th>
<th>General government consumption</th>
<th>Imports of goods and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>19.6</td>
<td>32.4</td>
<td>13.3</td>
<td>48.0</td>
<td>67.0</td>
<td>17.8</td>
<td>41.9</td>
</tr>
<tr>
<td>2002</td>
<td>18.8</td>
<td>33.1</td>
<td>19.2</td>
<td>50.1</td>
<td>79.3</td>
<td>10.1</td>
<td>22.1</td>
</tr>
</tbody>
</table>

(average annual growth)

| Agriculture | 2.7 | 3.3 | 3.3 | 3.4 |           |
| Industry    | 5.6 | 4.9 | 0.7 | 3.0 |           |
| Manufacturing| 5.9 | 7.1 | 4.5 | 4.2 |           |
| Services    | 5.1 | 5.2 | 5.0 | 2.7 |           |
| Private consumption | 4.1 | 4.1 | 1.3 | 2.4 |           |
| General government consumption | 0.6 | 3.1 | 3.8 | 6.3 |           |
| Gross domestic investment | -4.1 | 7.8 | 6.7 | 9.2 |           |
| Imports of goods and services | -1.6 | 2.0 | -1.1 | -10.8 |           |

Growth of investment and GDP (%)

Note: 2002 data are preliminary estimates.
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

### PRICES and GOVERNMENT FINANCE

#### Domestic prices (% change)
- Consumer prices: 21.1, 2.3, 2.7
- Implicit GDP deflator: 9.2, 19.7, 3.2, 4.0

#### Government finance (% of GDP, includes current grants)
- Current revenue: 27.2, 20.5, 20.1
- Current budget balance: -1.2, -1.8, -1.7
- Overall surplus/deficit: -5.5, -5.5, -5.8

### TRADE

#### (US$ millions)

<table>
<thead>
<tr>
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<th>1982</th>
<th>1992</th>
<th>2001</th>
<th>2002</th>
</tr>
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<tr>
<td>Total exports (fob)</td>
<td>3,880</td>
<td>7,078</td>
<td>6,643</td>
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<td>Cotton</td>
<td>1,898</td>
<td>145</td>
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<tr>
<td>Other agriculture</td>
<td>35</td>
<td>163</td>
<td>185</td>
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<tr>
<td>Manufactures</td>
<td>1,461</td>
<td>2,170</td>
<td>2,877</td>
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<td>Total imports (cif)</td>
<td>10,054</td>
<td>16,441</td>
<td>14,644</td>
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<td>Food</td>
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<td>1,129</td>
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<td>Fuel and energy</td>
<td>959</td>
<td>3,233</td>
<td>2,961</td>
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<td>Capital goods</td>
<td>2,610</td>
<td>3,696</td>
<td>3,211</td>
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<td>Import price index (1995=100)</td>
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<td>Terms of trade (1995=100)</td>
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### BALANCE OF PAYMENTS

#### (US$ millions)

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<th>1992</th>
<th>2001</th>
<th>2002</th>
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<tbody>
<tr>
<td>Exports of goods and services</td>
<td>6,338</td>
<td>11,074</td>
<td>16,926</td>
<td>15,323</td>
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<tr>
<td>Imports of goods and services</td>
<td>10,332</td>
<td>12,460</td>
<td>21,772</td>
<td>19,500</td>
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<td>Resource balance</td>
<td>-3,994</td>
<td>-1,385</td>
<td>-4,847</td>
<td>-4,177</td>
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<tr>
<td>Net income</td>
<td>-671</td>
<td>325</td>
<td>1,072</td>
<td>95</td>
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<tr>
<td>Net current transfers</td>
<td>2,133</td>
<td>4,390</td>
<td>3,742</td>
<td>4,073</td>
</tr>
<tr>
<td>Current account balance</td>
<td>-2,532</td>
<td>2,670</td>
<td>-33</td>
<td>-8</td>
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<tr>
<td>Financing items (net)</td>
<td>1,264</td>
<td>1,329</td>
<td>-838</td>
<td>-132</td>
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<tr>
<td>Changes in net reserves</td>
<td>1,268</td>
<td>-3,999</td>
<td>871</td>
<td>140</td>
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**Memo:**
- Reserves including gold (US$ millions)
- Conversion rate (DEC, local/US$)
- 0.8, 3.3, 4.0, 4.6

### EXTERNAL DEBT and RESOURCE FLOWS

#### (US$ millions)

<table>
<thead>
<tr>
<th>Description</th>
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<th>1992</th>
<th>2001</th>
<th>2002</th>
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<tr>
<td>Total debt outstanding and disbursed</td>
<td>27,332</td>
<td>31,129</td>
<td>29,234</td>
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<tr>
<td>IBRD</td>
<td>616</td>
<td>1,381</td>
<td>550</td>
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<td>IDA</td>
<td>509</td>
<td>904</td>
<td>1,242</td>
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<td>Total debt service</td>
<td>1,714</td>
<td>2,680</td>
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<td>IBRD</td>
<td>66</td>
<td>302</td>
<td>106</td>
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<tr>
<td>IDA</td>
<td>4</td>
<td>18</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

**Composition of net resource flows**
- Official grants: 303, 2,428, 651
- Official creditors: 2,200, 442, 647
- Private creditors: 1,313, -547, 1,519
- Foreign direct investment: 294, 459, 510
- Portfolio equity: 0, 0, 39

**World Bank program**
- Commitments: 333, 376, 0
- Disbursements: 217, 245, 49
- Principal repayments: 25, 198, 102
- Net flows: 192, 47, 53
- Interest payments: 45, 122, 43
- Net transfers: 147, -75, -95

Table 8. Commitments to Egypt by Major Donors for Agriculture & Rural Development (USD million) (2001 & 2002)

<table>
<thead>
<tr>
<th>#</th>
<th>Donors</th>
<th>All sectors</th>
<th>Agriculture</th>
<th>% of funding for Agric.</th>
<th>Banking</th>
<th>Water supply &amp; sanitation</th>
<th>Energy generation &amp; supply</th>
<th>Trade</th>
<th>Social infra.</th>
<th>Support for NGOs</th>
<th>Rural dev.</th>
<th>% of funding for rural dev.</th>
<th>Agric. + rural dev.</th>
<th>% of agric. + rural dev.</th>
</tr>
</thead>
<tbody>
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<td>1</td>
<td>USAID **</td>
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<td>148.289</td>
<td>11.40</td>
<td>0.000</td>
<td>8.870</td>
<td>10.030</td>
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<td>138.710</td>
<td>10.66</td>
<td>286.999</td>
<td>22.06</td>
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<tr>
<td>2</td>
<td>Abu Dhabi Fund</td>
<td>145.000</td>
<td>55.000</td>
<td>37.93</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>48.954</td>
<td>5.68</td>
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<tr>
<td>3</td>
<td>European Commission</td>
<td>861.717</td>
<td>48.954</td>
<td>5.68</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>4.708</td>
<td>16.214</td>
<td>18.25</td>
<td>50.179</td>
<td>56.48</td>
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<td>1.593</td>
<td>3.566</td>
<td>5.159</td>
<td>7.60</td>
<td>20.765</td>
<td>30.59</td>
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<td>Japan</td>
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<td>15.551</td>
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<td>0.264</td>
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<td>Switzerland**</td>
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<td>0.10267</td>
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<td>7.599</td>
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<td>0.000</td>
<td>0.000</td>
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<td>7.599</td>
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<td>9.10</td>
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<td>34.18</td>
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</tbody>
</table>


* The figures for Germany, WB, Islamic Dev. Bank & Kuwait Fund are disbursement, since the commitment figures are not available for these donors.
** For Switzerland, water supply and sanitation is disbursement. For USAID's energy generation & supply, the figure is disbursement.
Table 9. Comparative Costs per Benefiting Household

<table>
<thead>
<tr>
<th>#</th>
<th>Projects</th>
<th>Project total cost (USD mill)</th>
<th>No. of benefiting households ('000)</th>
<th>Cost per benefiting household (USD)</th>
<th>No. of benefiting villages (hamlets)</th>
<th>Cost per benefiting villages (hamlets) (USD)</th>
<th>Economic rate of return (%)</th>
</tr>
</thead>
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<td>414</td>
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<td>3</td>
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<td>31.00</td>
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<td>7</td>
<td>SRDP***</td>
<td>93.75</td>
<td>350.00</td>
<td>268</td>
<td>266 villages (1 218 hamlets)</td>
<td>352 455/village (76 973/hamlet)</td>
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<tr>
<td>8</td>
<td>WNRDP</td>
<td>54.75</td>
<td>36.18</td>
<td>1 513</td>
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<td>Matruh II</td>
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<td>Total for Egypt</td>
<td>491.30</td>
<td>1 038.75</td>
<td>3 614</td>
<td></td>
<td></td>
<td>23.33</td>
</tr>
</tbody>
</table>

Source: Appraisal Reports and Interim Evaluation/Completion Reports of the 9 projects
It should be noted that since it is very difficult for the evaluation mission to quantify the number of benefiting households, most of the figures are from the Appraisal Reports.

* For WBSP, only the number of the settlers (1680 hh) was calculated as project beneficiaries, although the lives of "other people living in the environs of the project area have been improved through the provision of portable water, electricity, roads, a sewerage disposal system and subsidized housing... The newly paved roads has s substantial impact on the marketing of the crops & livestock's....".

** Directly affected.

*** For SRDP, the project benefiting households account for nearly 75% of the total population of Sohag Governorate

**** It is very difficult to quantify benefit from village infrastructure component ranging from youth centre to rural roads => min 12% for sub-projects above USD 200,000 is applied. For Rural Finance Component, the rate is between 20-40%.
APPENDIX II

BIBLIOGRAPHY


Appendix III

List of Participants
Egypt Country Programme Evaluation Workshop
Marriott Hotel, Cairo 23-24 March 2005

Ministry of Agriculture and Land Reclamation (MALR)

Eng. Ahmed El-Leithy
Minister of Agriculture and Land Reclamation
MALR
Nadi El Seid St.
Dokki, Cairo Egypt

Dr Fadia Nosseir
Supervisor of Foreign Agricultural Relations
MALR
Nadi El Seid St.
Dokki, Cairo Egypt

Mr Abdalla El-Shafey
Director General of International Relations
MALR
Nadi El Seid St.
Dokki, Cairo Egypt
Tel/fax 0020 2 7484330
Email abdallahyousse@link.net

Mr Kamal Abed El Hafiz Mahmoud
Vice Minister of Agriculture
Menia
MALR
Nadi El Seid St.
Dokki, Cairo Egypt
Tel 0020 10 1675747
Fax 0020 86 2363718

Mr Mohamed F.A. El-Essawy
Director General
International Funding Agencies
Foreign Agricultural Relations
MALR
Nadi El Seid St.
Dokki, Cairo Egypt
Tel 0020 2 3375982
Fax 0020 2 7602527

Mr Magdi Mohamed Abdel Samad
Director General
EICA
MALR
Nadi El Seid St.
Dokki, Cairo Egypt
Tel 0020 2 3375982
Fax 0020 2 7603153
Email magdisamad@yahoo.com
Ms Laila Abdel Naby Mansour  
Director General of International Organizations and Conferences Dept.  
Foreign Agriculture Relations Department  
MALR  
Nadi El Seid St.  
Dokki, Cairo   Egypt  
Tel/fax 0020 2 3374811

Mr Abdel Shakour Zahran  
Deputy Executive Manager, Cairo Office  
International Funding Agencies  
Foreign Agriculture Relations Department  
MALR  
Nadi El Seid St.  
Dokki, Cairo   Egypt  
Tel/fax 0020 2 7602527  
Email shakurzahran@yahoo.com

Mr Fouad Abu Hadab  
General Supervisor  
WFP Projects  
MALR  
Nadi El Seid St.  
Dokki, Cairo   Egypt

Mr Khaled Mohamed Farid  
International Funding Agencies  
Foreign Agriculture Relations Department  
MALR  
Nadi El Seid St.  
Dokki, Cairo   Egypt  
Tel 0020 2 7602527  
Fax 0020 2 7602525  
Email APIP355@yahoo.com

Mr Fatma Elzhraa Mohamed Shoeep  
APIP Project  
Foreign Agricultural Relations  
MALR  
Nadi El Seid St.  
Dokki, Cairo   Egypt  
Tel 0020 2 7602527  
Fax 0020 2 7602525

Ms Hala Mohamed Hagras  
Foreign Agricultural Relations  
MALR  
Nadi El Seid St.  
Dokki, Cairo   Egypt  
Tel 0020 2 3374811  
Email halahagras@hotmail.com

Agricultural Research Centre  
Dr Abdel Azem El-Tantawy  
Head of Agricultural Research Centre and National Coordinator APIP Project  
Agricultural Research Centre  
9 Gama Street  
Cairo   Egypt

88
Dr Tag El-Din Shehab El-Din  
Vice President  
Agricultural Research Centre  
9 Gama Street  
Cairo   Egypt  

Dr Mohamed Khalifa  
Director of National Gene Bank  
Agricultural Research Centre  
9 Gama Street  
Cairo   Egypt  
Tel 0020 2 5693241  

Dr Mohamed El Hawary  
Researcher  
National Gene Bank  
9 El Gama Street  
Cairo   Egypt  
Tel 0020 2 5693241  
Fax 0020 2 5693240  

Mr Ali Mostafa Mousa  
Researcher  
FCRI  
Agricultural Research Centre  
Sids Agric. Res. Station   Egypt  
Tel 0020 010 6037378  
Email Alimos242@hotmail.com  

Principal Bank for Development and Agricultural Credit  

Mr Tharwat Mohamed Abdel Gaber  
Director of PBDAC Menia Governorate  
Principal Bank for Development and Agricultural Credit  
Menia   Egypt  
Tel 002 012 1006297  

Mr Reda Eid Mansour  
Director of PBDAC Fayoum Governorate  
Principal Bank for Development and Agricultural Credit  
Fayoum   Egypt  
Tel 0020 846337399  

Dr Ramzy Ragab Mersal  
Manager of Foreign Projects Department  
Financial Sector  
Principal Bank for Development and Agricultural Credit  
110 Kas Elim St.  
Cairo   Egypt  
Tel 0020 10 1131739 / 7924670  
Fax 0020 2 7941494  
Email drmersal@yahoo.com  

Mr Ahmad Agamy Abel Hameed  
Financial Specialist  
Director of APIP  
Principal Bank for Development and Agricultural Credit  
Tel 002 012 2542458  
Email Abda.c@pbdac.com.eg
Mr Nabil Ramzy
Manager PBDAC
Principal Bank for Development and Agricultural Credit
110 Kas Elim St.
Cairo  Egypt

Mr A. Mohamed Abdelhamid
Manager
Principal Bank for Development and Agricultural Credit
110 Kas Elim St.
Cairo  Egypt

**Ministry of International Cooperation (MIC)**

Mr Mohamed Rashid Agamy
Director
Regional Projects and Agreement
MIC
8 Adly St.
Cairo  Egypt
Tel 0020 2 3926661
Fax 0020 2 3915167

Ms Mona Ahmad
Senior Economist
Financial Sector
MIC
8 Adly St.
Cairo  Egypt
Tel 0020 2 3816214

Ms Heba Saleb
Economic Researcher
Regional Financing Organisation
MIC
8 Adly St.
Cairo  Egypt
Email Hebaa@arcegypt.efu

**PROJECTS**

**Agricultural Production Intensification Project (APIP)**

Beni Suef Governorate

Mohamed Ahmed Ewaes
M&E Officer
APIP Project
Beni Suef Governorate
Egypt
Tel 0020 082 2320583

Mr Nabil Nasr Hendawy
Manager of Extension
APIP Project
Beni Suef Governorate
Egypt
Tel 0020 082 2326583
Mr Hosam Aly Metwaly
Assistant M&E Officer
APIP Project
Beni Suef Governorate
Egypt
Tel 0020 082 2320583
Email hosam_am_59@hotmail.com

Dr H. Abdel Wahab Mokhtar
ESRU
Sids Beba
Beni Suef Governorate
Egypt
Tel 0020 010 5023545
Fax 0020 082 4450939
Email drmokhtar2003@yahoo.com

Mr Mohamed Moustafa
Project Director of Beni Suef
APIP Project
Beni Suef Governorate
Port Said St.
Beni Suef Governorate
Egypt
Tel/fax 0020 082 2320583

El Minia Governorate

Mr Essam El-Din Abdel Mohsen
Project Director
APIP Project
El Minia Governorate
Egypt
Tel 0020 010 5230578
Fax 0020 086 2365880

Eng. Shadia Zaki Abd Alaleem
M&E Officer
APIP Project
El Minia Governorate
Egypt
Tel 0020 2 364318

Eng. Hassan Gomoaa Hassan
M&E Officer
APIP Project
El Minia Governorate
Egypt
Tel 0020 2 364318

Mr Rokia Eisa Mohamed
APIP Project
El Minia Governorate
Egypt
Tel 0020 086 2363926
Fax 0020 086 2365880
Fayoum Governorate

Mr Mohamed Magd Elden Hosny
Manager
APIP Project
Fayoum Governorate
Egypt

Mr Ahmed Abbas Ahmed
M&E Officer
Fayoum Governorate
Egypt

Mr Mohamed Hussein Hussein
Assistant M&E Officer
APIP Project
Fayoum Governorate
Egypt

Mr Mohamed Farhot
Engineer
APIP Project
Fayoum Governorate
Egypt

Farming System Research Unit in Sids

Dr Safwat Ahmed Ismail
Head Research
Soil and Water Specialist
Farming System Research Unit in Sids
Sids, Beba
Beni Suef  Egypt
Tel 002 082 4450248

Dr Kareman Hassan Abdel Ghany
M&E Officer
Farming System Research Unit in Sids
Sids, Beba
Beni Suef  Egypt
Tel/fax 0020 082 4450939

Dr Moktar Hessein Ahmed
M&E Officer
Farming System Research Unit in Sids
Sids, Beba
Beni Suef  Egypt

East Delta Agricultural Services Project (EDASP)

Ms Nadia Khalil
Monitoring & Evaluation Director
EDASP Project
16 Abd El Fadl St.
Giza
Egypt
Eng. Youseri Oweis
Director of Technical Office of Project
EDASP Project
16 Abd El Fadl St.
Giza
Egypt

Eng. Hoda Abdel Moneim
Director of Social Development Unit
EDASP Project
16 Abd El Fadl St.
Giza
Egypt

Matrouh Resource Management Project (MRMP)

Dr Naiim Moselhy
Director General
MRMP Project
P.O. Box 62
Mersa Matrouh
International Building Projects
Egypt
Tel 0020 046 4931083 / 4939300
Fax 0020 046 4931082 / 4939301
Email mrmpdg@intermetalex.com

Mr Elmahdi Ibrahim Elmahdi
Local Community Development
MRMP Project
MALR
Mersa Matrouh
Egypt
Tel 0020 10 5566498
Fax 0020 046 4931083
Email ehmahdiissa@yahoo.com

Mr Alan El Din Abel Moneim
Monitoring and Evaluation Director
Monitoring and Evaluation
MRMP Project
Mersa Matrouh
Egypt
Tel 0020 046 4931083

Mr Mohamed Gabr Khalil Gabr
Researcher
Animal Production
MRMP Project
Mersa Matrouh
Egypt
Tel 0020 012 2789893
Fax 0020 046 4939301
Mr Abdelwahab El Watedy  
Project Consultant  
MRMP Project  
MALR  
Mersa Matrouh Egypt  
Tel 0020 046 4931083  
Fax 0020 046 4931082

Sohag Rural Development Project (SRDP)

Mr Ayman Al Gindy  
Deputy Director  
SRDP  
Sohag Government Building  
Sohag Governorate Egypt  
Tel 0020 093 4605050  
Fax 0020 093 4605222  
Email ruralsohag@yahoo.com

Mr Farouk Ahmed Mahmoud  
Director of Rural Development  
SRDP  
Sohag Government Building  
Sohag Governorate Egypt  
Tel 0020 093 4605050

Mr Monir Hossny  
Director Technical Assistant Unit in Rural Development  
SRDP  
Sohag Governorate  
31 Letony Str.  
Giza Government Egypt  
Tel 0020 010 5500668  
0020 093 2326700  
Email sohag.tas@hotmail.com

West Noubaria Rural Development Project (WNRDP)

Eng. Abdel Fatah Meselhy  
Project Director  
WNRDP Project  
Aix Egypt  
Tel 0020 03 4492456

Mr Ibrahim El Samra  
Chief of Committee of WNRDP  
Aix Egypt  
Tel 0020 03 5743220

Mr Mostafa Sadek  
Component Director  
WNRDP Project  
Aix Egypt  
Tel 0020 03 4492456

Mr Abdel Karim Mabrouk  
WNRDP Project  
Egypt  
Tel 0020 03 4492456
Other Participants

Mr Bassem Siad
CEOSS
Minia    Egypt
Tel 002 010 1346275
Fax 002 0862366373

Dr Hassan Mahmoud Hasasn Foly
Horticulture Rec. Institute
Minia    Egypt
Tel 002 010 369988

Mr Hassan I.M. Al Bama
L.D.F.
Local Development Ministry
Nady Al Said Dokki
Giza    Egypt
Tel 0020 2 3373156 / 010 5038087
Fax 0020 2 7604322

Dr Mohamed Hussein Gomoaa
Executive Authority for Land Improvement Project
EALIP
7 Nadi El Seid Str.
Dokki    Egypt
Tel 0020 2 7613994
Fax 0020 2 7613996
Email gomoaa_1999@yahoo.com

Organization of Reconstruction of Egypt Villages

Mr Ibrahim Ahmed Abd El Rhman
Organization of Reconstruction of Egypt Villages
Cairo    Egypt
Tel 0020 2 9352449

Social Fund for Development

Dr Galal Fawzy
Director of Enterprises Development & Technical Assistance Dept.
Social Fund for Development
Mohandisen
Cairo    Egypt
Tel 0020 2 3030892

Dr Laila Gad
Senior Manager
Improvement in Standard and Living Dep.
Social Fund for Development
1 Wadi El Nil Str. Mohandisen
Cairo    Egypt
Tel 0020 2 3476932 – 5 ext. 502
Email lailagad@yahoo.com

Eshrak El Sisi
Senior Officer
Small Enterprise Development Organization
Social Fund for Development
1 Wadi El Nil Str. Mohandisen
Cairo     Egypt
Tel 0020 2 3030892
Fax 0020 2 3030 891
Email eelsisi@sedo.org

International Organizations and Other Institutions

African Development Bank

Mr Oumar AW
Resident Representative
African Development Bank
Egypt Country Office
1, Al-Gazayer Square
Cairo     Egypt
Tel 0020 2 5160906
Fax 0020 2 5160868
Email o.aw@afdb.org

Coopération Française

Mr Philippe C. Ame
Director of BLAFE (Bureau de Liaison Agricole Franco-égyptien)
International Relations Department
Ministry of Agriculture
Nadi El Sayed St.
Dokki, Cairo     Egypt
Tel /fax 0020 2 7484530
Mobile 0020 012 3233312
Email blafe@internetegypt.com

Ms Farida Mohamed Fahmy
Desert Research Centre
Cairo     Egypt
Tel 0020 2 2684268

European Union

Mr Ritske Keestra
Project Manager for Development Cooperation
Delegation of the European Commission in Egypt
European Union
37, Gamaet El Dowal El Arabeya St.
Giza, Cairo     Egypt
Tel 0020 2 7494680 Ext. 426
Fax 0020 2 7495357
Email ritske.keestra@cec.eu.int

Mr John Rhodes
Rural Development
European Commission Delegation
37, Gamaet El Dowal El Arabeya St.
11th floor, Mohandessin
Giza, Cairo, Egypt
Tel 0020 2 7614207
Fax 0020 2 3374270
FAO

Mr Abdellatif Tabet
FAO Representative for Egypt
FAO
P.O. Box 2223
Cairo Egypt
Tel 0020 2 7602324
Fax 0020 2 3378563
Email abdellatif.tabetRNE@fao.org

Italian Debt Swap

Dr Marco Spada
Program Manager
Italian Debt Swap, Italia Cooperation
Embassy of Italy
Cairo Egypt
Email marco.spada@utlcairo.org

Italian Embassy

Mr Guido Benevento
Cooperation Advisor
Italian Cooperation for Development
Italian Embassy
1079 Cornida El Nil
Cairo Egypt
Tel 002 02 7958213
Fax 002 02 7956904
Email guido.benevento@esteri.it

Swiss Development Fund

Dr Max Giger
Swiss Debt Reduction Programme
Swiss Development Fund
14 Abde Mona Riyad Str.
Mohandesen, Cairo Egypt
Tel 0020 2 3380731
Fax 0020 2 3381277
Email mwgiger@esdf.com.eg

UNDP

Mr. Antonio Vigilante
Resident Coordinator of the United Nations
UNDP
1191 Corniche El Nil, World Trade Center
Bouac, Cairo Egypt
Tel 0020 2 5784840 6
Email Antonio.vigilante@undp.org

Ms Rania Hedeya
Programme Analyst
UNDP
1191 Corniche El Nil, World Trade Center
Bouac, Cairo, Egypt
Tel 0020 2 5784840 6/ 00202 3949011
Email rania.hedeya@undp.org
Mr Michele Ribotta  
Head, Coordination Unit  
UNDP  
1191 Corniche El Nil, World Trade Center  
Boulac, Cairo, Egypt  
Tel 0020 2 5784840 6/ 00202 3949013  
Fax 00202 5784847  
Email Michele.ribotta@undp.org

UNIDO

Mr Mohamed El Hity  
UNIDO Regional Office, Cairo  
United Nations Industrial Organization  
2, Latin America St. Garden City  
Cairo, Egypt  
Tel 0020 2 7941993  
Fax 00202 7921199  
Email malhity@link.net

UNOPS

Mr Mohamed Chaalala  
Coordinator Rome Office  
UNOPS  
c/o FAO Viale delle Terme di Caracalla  
00100 Roma, Italy  
Tel 0039 06 57050201  
Fax 0039 06 57050299  
Email mohamed.chaalala@unops.fao.org

World Bank

Hani Shalaby  
Senior Environment Specialist  
World Bank  
Cairo, Egypt  
Tel 0020 2 5701670  
Email hshalaby@worldbank.org

World Food Programme

Ayoub Aljawaldeh  
Deputy Country Director  
World Food Programme  
Maadi, Cairo, Egypt  
Tel 0020 012 1151019  
Ayoub.E-Aljaloudi@wfp.org

Non-Governmental Organizations

BEST

Mr Mohsen M. Askar  
BEST  
Minia, Egypt  
Tel 0020 2 2332275  
Fax 0020 2 2332278  
Email Mohsen@best-Egypt.net
CARE

Mr Mohamed Hisham Mohamed
El Zahraa Str.
Assiut, Cairo, Egypt
Tel 0020 010 5461190
Email Mhesham@care.org

Desert Research Centre

Dr Ismail Abdel Galil Hussein
Desert Research Centre
1 El Mataria Mathaf Str.
El Mataria, Cairo, Egypt
Tel 0020 2 6398759
Fax 0020 2 6375858
Email ismail@brainy1ie-eg.com

General Organisation for Veterinary Services

Dr Victoria Habib
Head of the Projects Department in the GoVs
General Organisation for Veterinary Services
1 Nadi El Seid, Dokki, Giza, Egypt
Tel 012 3339973
Email wagdizk@soficom.com.eg

Horticultural Export Improvement Association (HEIA)

Mr Amr El-Hawary
Manager Membership Services Dept.
HEIA
1/11 El Mehwar El Markazi
Building no. 4
6th October City, Egypt
Email ahawary@heia.org.eg

Sanabel

Mr Ahmed El-Ashmawi
Executive Director
Sanabel
20 Hendawy Str.
Dokki, Cairo  Egypt
Tel 0020 2 7624732
Fax 0020 2 7624731
Email ashmawi@sanabelnetwork.org

Soil, Water and Environment Research Institute

Mr Sobhi El-Naggar
Cairo  Egypt
Tel 0020 2 716844
Email elnaggars_7@hotmail.com

Mr Selin Mohamed
Membership Services Coordinator
Membership Services
HEIA
22 Syria St. Mohandessen  
Cairo   Egypt  
Tel 0020 2 3383080  
Email selin@heia.org.eg  

NGOs in Fayoum  

Mr Ali Sayed Wally  
Member, Board of Directors Community Development  
Fayoum   Egypt  
Tel 0020 0101233673  

Mr Osama Ahmed Abd El-Hamed  
Member, Board of Directors Community Development  
Fayoum   Egypt  
Tel 0020 084 6551530  

International Fund for Agricultural Development (IFAD)  

Executive Board Director  

Professor Maryam Mousa  
IFAD Executive Board Director for Egypt  
Embassy of Egypt  
Via Salaria – Villa Savoia  
00100 Roma  

Near East and North Africa Division  

Dr Mona Bishay  
Director  
Near East and North Africa Division  
IFAD  
Via del Serafico, 107  
00142 Roma   Italy  
Tel 0039 06 54592321  
Fax 0039 06 5459321  
Email m.bishay@ifad.org  

Mr Abdelhamid Abdouli  
Country Programme Manager for Egypt  
Near East and North Africa Division  
IFAD  
Via del Serafico, 107  
00142 Roma   Italy  
Tel 0039 06 54592248  
Fax 0039 06 54593248  
Email a.abdouli@ifad.org  

Office of Evaluation  

Mr Luciano Lavizzari  
Director  
Office of Evaluation  
IFAD  
Via del Serafico, 107  
00142 Roma   Italy  
Tel 0039 06 54592274  
Fax 0039 06 54593274  
Email l.lavizzari@ifad.org
Ms Farhana Haque Rahman
Chief, Media Relations
Special Events and Programmes
IFAD
Via del Serafico 107
00142 Roma     Italy
Tel 0039 06 54592485
Fax 0039 06 54593485
Email f.haquerahman@ifad.org

Press

Mr Bassem Assad
Vice President Al Khobar Newspaper
TV Producer and Director
Al Khobar Newspaper and Radio TV
128 Tahrir St.
Dokky, Cairo    Egypt
Tel 0020 010 1484168

Ms Amal Ayob
Tel 0020 12 4029941

Mr Khaled Hussein Dessanky
Reporter
Nile News
Egyptian Television
Tel 0020 010 5233346
Fax 0020 02 5799918

Mr Sherif Abo Elwarfa
Agricultural News Newspaper
Tel 0020 2 4022352

Mr Fouad Girgis

Mr Mostafa Mamoud
Appendix IV

Peer Review Paper on the draft Egypt CPE Report by Dr. Samir Radwan

I. INTRODUCTION

1. IFAD’s Office of Evaluation (OE) has undertaken a comprehensive CPE for Egypt in Spring of 2004, and its first draft report was available in June 2004. This peer review provides an independent assessment of this Report; identify areas of improvement; suggest textual changes when necessary; and end-up by suggesting some future orientations for IFAD’s work in that country.

II. OVERALL ASSESSMENT OF THE REPORT

2. The importance of this Report derives from two main factors: first, it evaluates one of IFAD’s major programmes in the MENA region which resulted from a 25 year partnership with Egypt, and supported nine projects with a total loan of $200 million, and a total cost of $490 million; and secondly, the Report represents one of the first attempts to apply IFAD’s evolving methodological framework for country programme evaluation. Thus, the lessons of this evaluation go far beyond the specific case of Egypt, and may in fact be instrumental in guiding IFAD’s future operations in the MENA region and in producing lessons for future orientation of its evaluation methodology.

3. The Report was the result of a careful process of preparation which began by a background paper; followed by a “reconnaissance” mission; then a four-week field mission; and the preparation of an “Aide Memoire” for dialogue with the Government on the main findings. The mission also conducted 4 field assessments of project performance and likely impact in four of the five ongoing projects, using OE’s project evaluation criteria through focus group discussions and individual interviews with over 700 beneficiaries, leaders and officials. The result of all this has been a report of high quality and rigour; a candid assessment of the programme; and of what was achieved; of what went wrong; and future strategic and policy directions.

4. The assessment of the programme performance is objective, balanced and candid. Following the established criteria of relevance, effectiveness, efficiency, and impact the Report comes to significant conclusions:

- All projects had objectives that are consistent with those of IFAD and GOE, thus were on the whole very relevant to the poor, though their relevance to the poorest segments of the rural population is not clear.
- The effectiveness of the projects is between substantial and modest, with that of the completed projects “lower than it could have been” due to prolonged delays in implementation; change in budget allocation in mid-stream, stronger emphasis on physical infrastructure and agricultural productivity and relative neglect of

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41 Managing Director, Economic Research Forum for Arab Countries Iran and Turkey.
42 IFAD, Arab Republic of Egypt, Country Programme Evaluation, Evaluation report, June 2004
43 IFAD, Towards a Methodological Framework for Country Programme Evaluations, Office of Evaluation, January 2004
human and social development objectives especially for women and the landless. The same goes for on-going projects.

- Efficiency was difficult to gauge due to the lack of quantitative data, but appears on the whole to be lower than expected for closed projects. Indicators for the very first IFAD project point to absurdly high cost per household ($22,000), and relatively low ERR (13% as against an average of 25%).

- IFAD projects are of very good value to the Ministry of Agriculture and Land Reclamation (MALR), they reflect government priorities and affect positively the rural poor in project areas. However, IFAD provided a series of self contained agricultural development projects that taken together, cannot be described as a “programme”. The lack of complementarity, well sequenced activities and the combined use of a number of instruments to achieve strategic goals were detrimental. The downside was a limited responsiveness to the changing context and profile of rural poverty in Egypt and to the opportunities opened by GOE successive policy reforms.

- IFAD developed good relations with MALR, but not with other relevant agencies. This has limited IFAD’s possibilities to enhance its impact on rural poverty, particularly in areas related to local level institutional development, participation and women empowerment.

- IFAD’s extensive knowledge and experience has not been effectively shared with other actors in development cooperation in Egypt. The Fund remained a low profile agency with limited engagement and influence in the dialogue about the policies and strategies of rural poverty reduction.

- The weakest point in IFAD’s intervention overall, is its approach to rural finance. The government supported agricultural Development Bank appears to have remained an unwilling partner, credit funds were not used as planned and IFAD did not succeed in formulating and implementing a pro-poor rural financial services programme as originally intended.

III. AREAS OF IMPROVEMENT

5. While the reviewer is in full agreement with these conclusions, a number of issues may be raised which, if, further strengthened may enhance the value of the Report.

6. **Firstly, the linkage between IFAD’s projects and the changes in economic policy and agricultural sector development were weak**. Certainly, there has been several project planning and needs-assessment missions, but it was not until 2000 that a proper Country Strategy Opportunity Paper was available. Even then the report analysis demonstrates that the incremental features of this strategy were not implemented. The point to be highlighted here is that both IFAD and GOE were continuing on the basis of “business as usual” with little or no recognition of the significant changes that were taking place in Egyptian agriculture as well as the economy at large, notably with a shift from government-led to a market oriented economy. Recent studies have shown that these are new realities in the land tenure system; cropping patterns; rural labour markets; the role of women; child labour and trade liberalization. The very recent policy orientation towards agricultural export promotion, the development of private sector role and small and medium enterprises especially in the non-farm sector should be emphasized as areas of attention for future strategy.

7. **Secondly, the impact of management problems on performance** needs to be emphasized further. There is ample evidence in the Report that weak and
erratic management on the government side was a major constraint on success and innovation. IFAD’s management shares in the responsibility. Three issues need further emphasis: (a) the Ministry of Agriculture should not remain the only institution to monopolize IFAD projects. Actually, “MALR while a competent technical ministry, is not a natural partner for participative, bottom-up planning, local level institutional development and the more innovative aspects of community development and gender work. (b) In addition to being more inclusive in its partnership modality, IFAD needs to be more proactive regarding the management of its supported projects. More use needs to be made of modern managerial skills, available quite often in the private sector and among highly qualified graduates. Intensive management training can be also provided particularly regarding decentralized and participative decision making. (c) In addition IFAD needs to be firmer to avoid unnecessary protraction in project implementation. It also needs to improve its internal discipline to avoid tardiness in decision making and bureaucratic delays within IFAD. (d) As a relatively small agency with no permanent presence in Egypt, IFAD seems to have stretched itself too thin to make a substantial impact on rural poverty. There is a need for IFAD programme to have a better thematic and regional focus. This will not only allow resources to be more effectively utilized, but will also facilitate management, permit accumulation of knowledge in few specific areas, and achieve overall better visibility for IFAD.

8. **Thirdly, aggregate programme reach needs to be more clearly specified.**

The evaluation seems to have faced notable difficulties in quantifying programme coverage (exact number of households reached) due to the weakness and heterogeneous nature of the evaluations of closed projects (all undertaken before the introduction in 2001 of OE’s Methodological Framework for Project Evaluation). Project completion reports, whenever available, were even more lacking in data and quantitative analysis. The intensive field work of the CPE evaluation mission covered the ongoing projects, and no means was available to the mission to estimate accurately the reach of the closed projects. In two places in the text the report provides a qualified approximation of such reach (para 34 of the ES and para 147 of the main report). In the absence of clear and robust quantitative methodologies for past project evaluations and completion reports, this approximation seems exaggerated. It is recommended that the text be reformulated as para 9 below.

IV. **RECOMMENDED CHANGES TO THE TEXT**

9. The following amendments are suggested:

<table>
<thead>
<tr>
<th>Reference to Text</th>
<th>Comments</th>
<th>Suggested Changes to text</th>
</tr>
</thead>
<tbody>
<tr>
<td>Para 34, p. xix and para 147, p.33</td>
<td>This para appears to exaggerate the impact of the programme, and seems to be based on optimistic assumptions regarding achievement of expectations of reach at design. This needs to be clarified</td>
<td>Since 1980, eight IFAD-supported projects have been designed to have a meaningful effect on a sizeable proportion of rural households and land holdings. While it is difficult to assess the exact achieved impact, of these projects and their reach, they are meant to influence in one way or other the lives of about 1.4 million households – equal to 12% of Egypt’s rural households – and 20% of the agricultural land.</td>
</tr>
</tbody>
</table>
V. FUTURE OUTLOOK

10. The CPE has naturally focused on the evaluation of the projects, Completed and ongoing, and drew some recommendations based on the results of the evaluation. While these strategic and operational recommendations are all pertinent. I would argue that what is needed for the future is not only implementing the programme better, but, most importantly, drastically reconsidering the programme strategy as a whole. **What is at issue is the role of IFAD in Egypt, and what is needed for the new strategy is to define a “niche” for the organization based on the emerging realities in agriculture as well as in the economy at large.** The time is appropriate for undertaking such a reflection since IFAD’s Near East and North Africa Division is planning to prepare a new COSOP for Egypt in 2005.

11. A new strategy for IFAD may build upon the following elements:

- The “niche” for IFAD is to assist the GOE to implement its new policy of poverty reduction. Perhaps for the first time, the Government is taking the objective of poverty reduction seriously. The 2nd Conference of the National Democratic Party, the ruling party, had debated a paper on the subject. There is also a strategy paper by the WB which focuses on subsidies, services and safety nets. There is a gap related to rural poverty which IFAD can fill.
- As the CPE correctly suggests, for IFAD to play this role, it has to broaden its partnership beyond the MALR which is not really suited for new approaches to poverty reduction. Other actors such as the Social Fund for Development, Ministry of Local Development and the governorates themselves are likely to be more effective partners.
- The Report’s recommendation to focus IFAD’s work on rural Upper Egypt is absolutely correct. These Governorates have the lowest human development scores, and the highest poverty incidence. There are show-case Governorates where a dynamic Governor can be an effective partner.
- IFAD has a comparative advantage in transferring lessons of successful experiences to Egypt. Innovative solutions to poverty reduction can benefit from emerging trends in agriculture (shift to high value crops for exports, intensive cultivation in nurseries, simple agro-processing enterprises …)
- While Egypt is indeed rationalizing its borrowing policy, there seems to be still willingness to borrow to create employment opportunities in the rural areas, particularly through the promotion of small and medium size enterprises. The tax structure has recently been changed to provide a more appropriate incentive framework for the reinvigoration of the private sector and its serious engagement in overall development both in urban and rural areas. Explicit support to rural private sector should be seriously considered by IFAD.
- IFAD must seize the opportunity of the new reform-minded government, and offer something new, some value added. In this respect, the recommendation of the report to set up a simple presence in Egypt (a representative at UNDP Office) is fully supported. It can improve the outreach of IFAD, and, eventually, act as a catalyst for the work on rural poverty.

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