

Country: Egypt

UNDAF Outcome(s):

UNDAF Outcome 3: By 2011, regional human development disparities are reduced, including reducing the gender gap, and environmental sustainability improved.

Joint Programme Outcome(s):

1. Small farmers and agricultural workers are more equitably integrated into domestic and international value/supply chains of horticultural products through enhanced efficiency, productivity and viable business partnerships with private sector investors.
2. Entrepreneurial forms of organization established by small farmers.
3. Policy and regulatory changes to promote pro-poor private sector-based growth in Upper Egypt's horticultural sector identified and discussed with the GOE.

Prog/project Title: "Pro-Poor Horticulture Value Chains
In Upper Egypt"

Programme/project Duration: 36 Months
(Start/end dates): _January 2010- Jan 2013

Fund Management Option: Pass Through

Managing or Administrative Agent: MDTF
(if/as applicable)

Total estimated prog/project budget (including F&A):

7,499,704 USD

Out of which:

1. Planned resources:

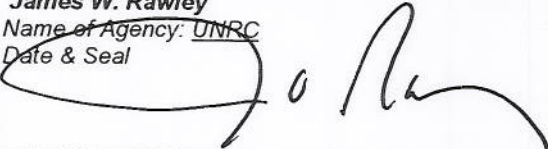
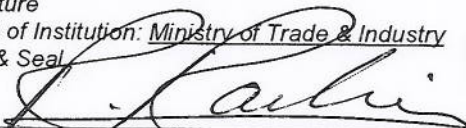

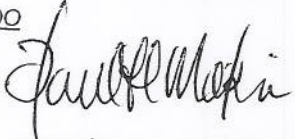
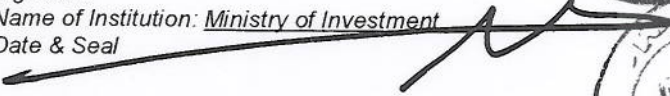
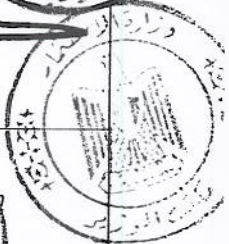
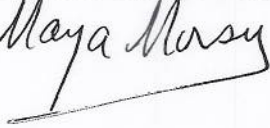
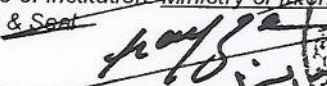


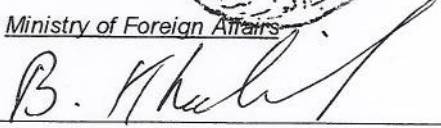


- UNDP 3,246,561
- UNIDO 2,521,455
- ILO 1,005,800
- UNIFEM 725,888

2. Unfunded budget: _____

Acronyms

| | |
|-----------------|--|
| AA | Administrative Agent |
| ACDI/VOCA | Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance |
| AERI | Agriculture Exports and Rural Incomes |
| ALEB | Agriculture-Led Export Businesses |
| APRP | Agricultural Policy Reform Program |
| ATUT | Agriculture Technology Utilization and Transfer |
| AWPs | Annual Work Plan |
| BDS | Business Development Services |
| CARE | Cooperative for Assistance and Relief Everywhere |
| CEDAW | Committee on the Elimination of Discrimination against Women |
| CPAP | Country Programme Action Plan |
| CSOs | Civil Society Organizations |
| EHDR | Egyptian Human Development Report |
| ETRACE | Egyptian Traceability Centre for Agro-Industrial Exports |
| EYB | Expand Your Business |
| F&A | Facilities and Administrative |
| FAO | Food and Agriculture Organization of the United Nations |
| FAs | Farmers' Associations |
| GAFI | General Authority for Investment |
| GDP | The Gross Domestic Product |
| GES | Gender Equity Seal |
| GOE | Government of Egypt |
| GSB | Growing Sustainable Business |
| H, S, M, N Risk | High, Substantial, Modest & Negligible Risk |
| HACCP | Hazard Analysis and Critical Control Point |
| HEIA | Horticulture Export Improvement Association |
| HQ | Head-Quarters |
| IDSC | Information and Decision Support Center in Egypt |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labour Organization |
| IMC | Industrial Modernization Center |
| ISO | International Organization for Standardization |
| ITASU | Industry and Trade Advisory Support Unit |
| JP | Joint Programme |
| JPD | Joint Programme Document |
| JPM | Joint Programme Manager |
| KAB | Know About Business |
| M & E | Monitoring and Evaluation |
| MDG | Millennium Development Goals |
| MDGF | Millennium Development Goals Fund |
| MDGI | Millennium Development Goals Indicators |
| MDGR | Millennium Development Goals Report |
| MTF | Multi-Donor Trust Fund |
| MOI | Ministry of Investment |
| MOSS | Ministry of Social Solidarity |
| MSME | Micro, Small and Medium Enterprises |
| MTI | Ministry of Trade & Industry |
| NARP | National Agricultural Research Program |
| NGO | Non-governmental organization |
| NHDR | National Human Development Report |
| NSC | National Steering Committee |
| PBDAC | Principal Bank for Development & Agricultural Credit |
| PHCs | Post Harvest Centers |
| PMC | Programme Management Committee |
| PMF | Programme monitoring Framework |
| PMU | Project Management Unit at The Ministry of Trade & Industry |

Names and signatures of (sub) national counterparts and participating UN organizations

| UN Organizations | National Partners* (including sub national partners) |
|--|--|
| <p>James W. Rawley Name of Agency: <u>UNRC</u> Date & Seal</p>  | <p>H.E. Minister Rachid M. Rachid Signature Name of Institution: <u>Ministry of Trade & Industry</u> Date & Seal</p>   |
| <p>Paul Makin Name of Agency: <u>UNIDO</u> Date & Seal</p>  | <p>H.E Minister Mahmoud Mohieldin Signature Name of Institution: <u>Ministry of Investment</u> Date & Seal</p>   |
| <p>Dena Assaf Signature Name of Agency: <u>UNIFEM</u> Date & Seal</p>  | <p>H.E. Minister Fayza Abounaga Signature Name of Institution: <u>Ministry of International Cooperation</u> Date & Seal</p>   |
| <p>Yousef Qaryouti Signature Name of Agency: <u>ILO</u> Date & Seal</p>  | <p>H.E. Ambassador Bassem Khalil Signature Name of Institution: <u>Ministry of Foreign Affairs</u> Date & Seal</p>   |
| <p>Mounir Tabet Signature Name of Agency: <u>UNDP</u> Date & Seal</p>  | |

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|--------|--|
| QED | QED Group, LLC |
| RC | Resident Coordinator |
| REAP | Rural Enterprise and Agriservice Project |
| SBAA | Standard Basic Assistance Agreement |
| SC | Steering Committee |
| SFD | Social Fund For Development |
| SIYB | Start & Improve Your Business |
| SME | Small & Micro Enterprises |
| SOEs | State-Owned Enterprises |
| SPS | Sanitary and Phyto-Sanitary |
| SYWRB | Start Your Waste Recycling Business |
| TA | Technical Assistance |
| TBT | Technical Barriers to Trade |
| UN | United Nations |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |
| UNIDO | United Nations Industrial Development Organization |
| UNIFEM | United Nations Development Fund for Women |
| UNWTO | United Nations World Tourism Organization |
| UPL | Universal Price List |
| USAID | U.S. Agency for International Development |
| WED | Women Enterprise Development |
| WFP | World Food Programme |
| WIND | Work Improvement in Neighbourhood |

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1. Executive Summary

Egypt's recent economic growth has not sufficiently been pro-poor. Rather, poverty has expanded, especially in rural Upper Egypt which is facing two mutually reinforcing problems; one that has to do with the overall efficiency of the value chain, and the other one has to do with the marginalization of the majority of small landholders. The **purpose of the programme** is to promote viable equitable partnerships between small farmers and private sector investors in efficient pro-poor horticulture value chains in three locations in the poorest Upper Egyptian Governorates. This shall be accomplished upon achieving the following outcomes:

1. Small farmers and agricultural workers are more equitably integrated into domestic and international value/supply chains of horticultural products through enhanced efficiency, productivity and viable business partnerships with private sector investors.
2. Entrepreneurial forms of organization established by small farmers.
3. Policy and regulatory changes to promote pro-poor private sector-based growth in Upper Egypt's horticultural sector identified and discussed with the GOE.

Previous donor assistance has organized small farmers in some locations in Upper Egypt in farmers' associations (FAs). The Programme shall select three local FAs; one in each governorate, representing 800 - 1000 small farmers growing horticultural crops from amongst the poorest governorates of Assiut, Sohag, Minya, Beni Suef and Qena. Some of these associations have established Post Harvest Centers (PHCs). The programme shall facilitate cost sharing arrangements between the small farmers and private investors to establish new PHCs or improve existing ones. The programme shall broker/facilitate partnerships between the small farmers and different kinds of private investors (exporters, domestic retailers, touristic facilities...etc.), by virtue of which the private investors shall:

- Purchase via forward contracts the crops of the small farmers at fair prices.
- Through a management contract with the FAs field professional management for the PHCs.
- Train FA staff in PHC management.
- Supervise the provision of various extension services to the small farmers.
- Co-invest with the small farmers in upgrading the PHC, if needed.

The programme shall support small farmers through supporting their Farmers Associations (FAs) to deliver needed business services (information services, legal and contractual advice...etc.) thus enabling them to participate in the governance of the supply chain. The programme shall also support the entrepreneurial development of small farmers, through raising their business awareness and skills and supporting their incorporation into entrepreneurial forms. In addition, the programme will also help in developing agro-industrial value-adding activities based on local crops (possibly in cooperation with FAO). Finally, utilizing lessons learned and best practices, the programme shall engage with the GOE in a policy dialogue over constraints facing pro-poor private sector-based growth in Upper Egyptian horticultural sector. Having the PMU situated within Ministry of Trade & Industry, together with the partnership of the Ministry of Investment, will have the added effect of creating an information and knowledge hub that would in turn inform policy making and investment promotion efforts.

This programme contributes to the UNDAF Outcome 3: "By 2011, regional human development disparities are reduced, including reducing the gender gap, and environmental sustainability improved". The programme also contributes to eradicating extreme poverty and hunger (MDG-1) by primarily targeting poverty pockets in areas with more than 65% vulnerability rank¹. The programme further promotes gender equality (MDG-3) (women are officially registered at below 18% of the work force while in reality accounting more than 75%

¹ World Food Programme Vulnerability Map of 2007 and 2008 Upper Egypt

of the labor force in agriculture); and developing global partnership for development (MDG-8). It is also worth noting that the programme, will contribute to ensuring environmental sustainability (MDG-7); as tracing agricultural products has a positive impact on the environment and the quality of the produce. In addition, shifting the farmers' attention to serve higher quality markets and export markets will lead them to cleaner production (organic or just with monitored levels of pesticides). This programme is also in line with the current GOE orientation towards giving a priority to Upper Egypt in the investment and development programmes. Furthermore, with the GOE's realization that recent economic growth has not been sufficiently pro-poor, the programme will assist the government in its efforts to promote equitable growth.

2. Situation Analysis

Despite its achievement of obvious macroeconomic improvements, Egypt's recent economic growth has not been sufficiently pro-poor. In fact the percentage of poor persons of the total population has increased on the aggregate from 16.7% in 1999/2000 to 19.6% in 2004/05. As a matter of fact, the expected reduction in poverty given the actual growth rate should have been in the order of 30 percent. However, Egypt has only witnessed an 11 percent reduction in poverty. The remaining 19 percent constitutes a dead weight effect due to inequality.² Poverty was much more pronounced in rural Egypt than in urban Egypt, and in Upper Egyptian than in urban, frontier, or lower Egyptian governorates. While Upper Egypt represents 25% of the population, its share of the extreme poor is almost 66%, with almost 95% of the poorest villages. Six out of the eight governorates unlikely to meet the MDG target on poverty, are located in Upper Egypt. Rural Upper Egypt in specific suffers from a high incidence of poverty that captures almost 40% of the population³. Meanwhile, "international aid was not geographically distributed in proportion to the regional distribution of poverty. The five poorest governorates of Assiut, Beni Suef, Suhag, Minya, and Qena have poverty rates ranging between 61% and 33%, but received between 5.6 and 2.2% of aid directed at eradicating poverty"⁴.

Similarly, improvements in labor market conditions were largely limited to wage and salary workers, while conditions of the self-employed and non-wage workers in household enterprises and farms have deteriorated. Accounting for over 36% of total employment in 2006, the latter witnessed a decline in their real earnings over time. The percentage of wage earners in the workforce has steadily declined from 63% in 2001 to 31% in 2006.⁵ In fact, household enterprises, especially family farms, have recently absorbed excess labor in Egypt's labor market, with one third of new entrants employed as unpaid family workers. However, this labor absorption role came at the expense of higher incidence of marginal employment, lower productivity, and hence lower earnings⁶. Poverty incidences among unpaid workers, especially those in rural areas, are nearly three times as high as those of wage workers in urban areas. Here it is worth noting that women are most likely to get involved in non-wage employment in household economic activities and non-wage family agricultural employment. The global economic and financial crisis is expected to compound the above situation. It is expected that the resultant decline in GDP growth will curtail the ability of the economy to create new jobs. It has been estimated that the reduction of GDP growth from 7.5% in the first half of 2007-08 to 5.0% in the first half of 2008-09, i.e. by 2.5 percentage points, will result in the decline in employment opportunities by 1.6 percentage points, or 348,000 jobs.⁷ IDSC estimates that expected some 250,000 migrants (largely

² World Bank MNA Fast Brief, February 2009 · Number 21

³ EHDR 2005 & 2008

⁴ EHDR, 2008

⁵ EHDR, 2008

⁶ EHDR, 2008

⁷ Based on Manal Metwaly and Nihal El Megharbel, The Economic Crisis and its Impact on the Industrial Sector in Egypt, paper presented to the Conference on "The Social Impact of the Global

unskilled labor) are expected to return to Egypt. These are likely to return to rural villages from where they migrated; thereby increasing the supply of unskilled labor. This suggests the expansion of marginal employment along the aforementioned lines of lower productivity and earnings.

The latest poverty assessment report revealed that "agriculture was the main engine for poverty reduction, despite its lower than average growth rate. Over one half of all movements out of poverty during 2005-2008 were accounted for by those employed in agriculture, the elasticity of poverty with respect to the growth of value added in agriculture (around 3) is largest among all sectors of the Egyptian economy"⁸. This points to the strong poverty alleviation potential of the sector.

In agriculture, non-wage work is more likely to be more prevalent in small family-owned landholdings preponderating agricultural land⁹. One important reason for the widespread poverty in rural Upper Egypt, especially among non-wage workers of small farms is the lack of sufficiently integrated agribusiness value chains that effectively and equitably integrate small landholders, especially poor farmers. The special nature of Upper Egypt is that 65% of its agriculture value comes from holdings less than 5 feddans (1 feddan = 4200 square meters) and landless labor. A recent study conducted by UNIDO's ETRACE (Egyptian Traceability Centre for Agro-Industrial Exports) programme revealed that the average plot size in Beni Suef was 1.1 feddans and in Minya and Qena 1.3 feddans¹⁰. While increased exports were improving for some 40 top exporters, this did not add value to small and marginalized growers and processors. Meanwhile, the horticulture value chain in Upper Egypt is marked by a high degree of inefficiency. It is estimated that 60-70% of the crops are lost due to supply chain gaps that primarily affect small producers. Despite resource potentials, inaccessibility is induced by gaps along the supply chain, which if closed can lead to improved livelihoods for rural communities. The supply chain is constrained by a transportation and storage system that is very damaging to product quality. It is estimated that up to 40 percent of total production of highly perishable products are damaged or lost in transit and handling. This is the result of poor packaging, lack of cold chain facilities, rough transport, and multiple handling. The impact of this on the food industries is inconsistent and causes poor quality supply. The impact on consumers is higher retail prices and lower quality than would be the case with proper post-harvest handling.

In recent years a total number of at least 150 agribusiness associations have been established with the help of donor-funded programmes. However, only a few of them have reached a state of sustainability and professional management of business activities. They still need further technical assistance and capacity building to run contract farming and post harvest activities. These associations have a strong potential for providing competent services, but with the need for substantial assistance to reach sustainability. Although initial assistance has been provided, these associations still have technical and managerial gaps that have to be reduced in order to enter into a mature business phase.

Supported by the governmental directions, there have been recent developments in the infrastructure related to the agribusiness sector in Upper Egypt. In total, there exist more than 20 post harvest facilities in addition to a larger number of cold stores distributed in different areas in Upper Egypt, part of them owned by private investors. Two cooling facilities have been established in Wadi El Saida, Aswan. USAID has also funded the design, construction and initial operation of three packing houses, which it conveyed to three newly formed civil society associations located in Beni Suef, Menia, and Qena governorates. Enhancing the

Financial Crisis on the Egyptian Economy, and Means of Confronting It", Cairo University, 12 April 2009, (Arabic), p34.

⁸ World Bank, Economic Growth, Inequality and Poverty: Social Mobility in Egypt between 2005 and 2008, April, 2009.

⁹ Farm sizes in Egypt are generally small, averaging less than 2 feddans. It is estimated that nearly half the farmers own less than one feddan each, 95% of landowners own plots less than 5 feddans in size and 84% of small farmers hold only 50% of the total area. Islamic inheritance laws lead to the continuous exponential fragmentation of land.

¹⁰ UNIDO, E-Trace, Survey Report on Farmers' Associations in Selected Governorates in Upper Egypt. March, 2009

technical and managerial capacities of these facilities along international standards will undoubtedly contribute to the competitiveness of the horticulture value chain in Upper Egypt.

In addition, a newly established terminal at Luxor Airport went into operation in 2008 serving direct exports from Luxor to Europe using low cost spaces of charter flights. Development efforts resulted in new constructed roads such as the Cairo – Assiut West Desert Road and the new Cairo – Aswan East Desert Road (under construction). The recent development in infrastructure for post harvesting and transportation will result in substantial reduction in the logistics and transport costs. This trend, if encouraged and supported by technical assistance, capacity building and policy reform, would strengthen the integration of Upper Egypt horticulture supply chain into both domestic and export markets.

However, currently the persistent nature of these gaps hinders the physical movements of agriculture produce, as well as poses barriers to small landholders and growers to be actively and equitably included in the value chain, thereby depriving them of robust sources of income.

Agricultural growth in Upper Egypt has been neither sufficiently inclusive for vulnerable and marginalized social groups; nor enabling for equitable access to income, especially by women who represent more than 75% of agro sector operations¹¹. This inaccessibility and marginalization of groups of small farmers are compounded with the absence of equitable private investments and partnerships with small growers and processors.

As a result, Upper Egypt faces several developmental challenges. These include among others low income, unemployment, regional disparities, gender disparities, and are compounded by weak supply capacity of local Upper Egyptian population and organizations that further exacerbates the marginalization of small farmers and agricultural workers (especially women). The economic and institutional marginalization of these groups is naturally reflected on the policy level. The rural poor are caught in a vicious trap whereby, due to their marginalization in existing value chains are not actively present on the policy level. This in turn results in a general policy bias that reinforces their fragmentation and marginalization. Lagging development of Upper Egypt is a pressing concern for the Government. In order to tackle the problem, the Government of Egypt acknowledged the need for the creation of a pro-poor policy environment in order to effectively enable these marginalized groups to benefit from economic reform and private sector orientation and is focusing its efforts on fostering growth in the agriculture and agribusiness sectors

Upper Egypt offers significantly great potential for increased agricultural production than is currently being realized. The same products which are grown successfully in Lower Egypt can be grown just as successfully in Upper Egypt. More importantly, the costs of inputs required for this production are significantly less in Upper Egypt, which possesses several additional sources of comparative advantage: 1) Fertile soil and water: In the so called Old Lands which include the strip of land, approximately 2 million feddans in area, which runs parallel to the Nile River; 2) Availability of arable land: in the so called New Reclaimed Land which include approximately 2 million feddans of land located in areas with sources of comparative advantage including low cost land, with good access to sub-terrain non-fossil aquifer water, which is rechargeable; 3) Early harvest: A distinct climatic advantage gives growers in Upper Egypt the additional advantage of 3 to 4 weeks early fruit harvesting and off season vegetable supply allowing for catching high prices in local and export markets and extending prime market export window; 4) Pest free areas: A great part of the cultivated area is free of common pests and diseases found in Lower Egypt due to favourable climatic conditions and nature of cropping structure; and 5) Cheap labour costs: up to one half of what they are in Lower Egypt resulting from high unemployment rates. In addition to the above, the Egyptian Government is stressing the development of Upper Egypt and is putting it as a priority on its political agenda.

¹¹ ITASU / Ministry of Trade & Industry with WFP The Power of Integration: Naga Hamadi Workshop, 2007

Several studies¹² have identified constraints impeding sound business linkages domestically and internationally as follows:

1. Lack of empowered farmers organizations with entrepreneurial capacity to sustain viable business relations and negotiate equitable future (forward) contracting¹³. The existing 150 Farmers Associations in Upper Egypt received minimal capacity building and technical assistance if any to allow them to operate effectively. Recent Field assessments recommended extensive technical assistance and capacity building to these organizations¹⁴.
2. Inadequate and inequitable governance of the value chain suggests the importance of governance/institutional arrangements that increase the share of the poor in decision making along the value chain¹⁵. This is confirmed by several assessments; including among others those conducted by AERI and the Ministry of Trade and Industry ITASU programme .
3. Transaction costs associated with sourcing and shipping products are high for several reasons. First, farming production in Upper Egypt is highly fragmented and individual farm households lack the economies required to produce and harvest lots which can economically be produced and shipped (e.g. truck load lots). Underinvestment in small scale infrastructure is impeding the productivity and efficiency of activities along the value chain. The production and quality of horticulture (particularly perishable) produces depends to a large extent on logistical and cold chain infrastructure. This is significant factor on the quality and pricing upgrade. It is estimated that out of the cold storage and pre-coolers market size of 24 million ton in 2006 (demand expected to increase by 25% in 2008/2009)¹⁶ there is a gap of almost 4 million tons the bulk of which (about 80%) is needed in Upper Egypt. Most of these small scale infrastructure projects need to address the small farmers' fragmentation in poor areas.
4. There is significant demand for specialized and skilled human resources. The Chamber of Food Industries in Egypt estimated, during a World Bank Workshop in 2008, the level of annual demand for about more than 6000 merchandisers, pack - house managers and other skilled labor and professionals every year to meet the specialized growth in the agribusiness sector.
5. Information and Tacit knowledge network serving the small farmers is vital to integrate the value chain operations. With recent decentralized decisions on cropping and marketing, two-way information on pricing and quality between small growers/processors on the one hand, and retailers and exporters on the other, is needed to ensure equitable and efficient governance.
6. Pro-poor policies are not necessary those directly targeting poverty pockets only but those assuring a more pro-poor environment even when addressing large investments and FDI opportunities. There is a need to ensure that large scale projects and devised policies targeting horticultural value chains balance efficiency with equity.
7. Market access for small farmers is being undermined by the increasing complexity and vertical coordination of global value chains in agribusiness

¹² World Bank – Upper Egypt: Challenges and Opportunities for Rural Development, Policy Note, June 2006

¹³ AERI / QED Value Chain Analysis 2006 and Care / El-Shams programme Assessment.

¹⁴ UNIDO, ETRACE, Survey Report on Farmers' Associations in Selected Governorates in Upper Egypt. March, 2009

¹⁵ Dr. Mohamed Goma, World Bank Value Chain Strategy mission, 2008

¹⁶ Logistics for Agri Produce Exports, Market findings by eVelop and Care Service, 2007

8. Farmers in Upper Egypt have only limited access to capital, relevant information and know how to produce and market their products.

To sum up, rural Upper Egypt is facing two mutually reinforcing problems; one that has to do with the overall efficiency of the value chain, and the other one has to do with the marginalization of the majority of small landholders. Recent and on-going efforts need to be integrated with adequate capacity building, technical assistance and a pro-poor policy orientation that encourages among other things equitable and viable partnerships between private investors and small farmers. Meanwhile, Upper Egyptian products have confirmed potentials for domestic and export markets, meeting early export and local windows requirements. Previous efforts exerted to upgrade agribusinesses in Upper Egypt demonstrated initial success.

3. Strategies, including lessons learned and the proposed joint programme

Background/context

This programme contributes to the UNDAF Outcome 3: "By 2011, regional human development disparities are reduced, including reducing the gender gap, and environmental sustainability improved". The programme is also in line with the GOE's recent orientation to focus more investment and development programmes on Upper Egypt. It also contributes to eradicating extreme poverty and hunger (MDG-1) by primarily targeting poverty pockets in areas with more than 65% vulnerability rank¹⁷. The programme further promotes gender equality (MDG-3) (women are officially registered at below 18% of the work force while in reality accounting more than 75% of the labor force in agriculture); and developing global partnership for development (MDG-8).

Moreover, the programme addresses the following national priorities identified by the GOE in its seven point programme :

- National Priority 1: Creating employment
- National priority 2: Fostering investment
- National Priority 3: Improve income levels and care for limited income citizens
- National Priority 4: Improve the standard of living of citizens and upgrade services offered.

More concretely the joint programme is in line with Government of Egypt (GOE) announcements to increase public agro investments (as means of stimulating private sector) by LE 25 billion over the 5 years targeting enhanced value chains and inclusion efforts (in addition to the LE 40 billion already allocated in the State budget ending 2011). Having the PMU situated within Ministry of Trade & Industry, together with the partnership of the Ministry of Investment, will have the added effect of creating an information and knowledge hub that would in turn inform policy making and investment promotion efforts.

In addition, the proposed programme shall increase small farmers' contribution to value added, agricultural workers' and small farmers' incomes, the competitiveness of small producers of horticultural products, and the entrepreneurial awareness of small farmers in Upper Egypt. Finally, the programme shall also build the capacity of PHCs to effectively and sustainably address some of the gaps along the value chain of horticultural products in Upper Egypt, as well as that of FAs to provide services to member farmers.

More fundamentally, the programme will stimulate and augment private investment trends that are taking place. Several private investors realized the comparative advantage of running

¹⁷ World Food Programme Vulnerability Map of 2007 and 2008 Upper Egypt

agri-businesses in Upper Egypt and the new developments in infrastructure and started integrating their businesses with Upper Egypt supply chains. Some of the investors started sourcing exportable products from medium size farms or from farmers' associations in Upper Egypt. Yet there is still a substantial lack of capacity, technical services and know-how that are necessary for an integrated development effort.

Lessons Learned

In designing the project, special attention was paid to lessons learned from local and international experience. Many efforts have been exerted during recent years to develop competitive value chains in Upper Egypt. A number of donor sponsored value chain development programmes have been launched to date. Over the past eight years most of the agriculture support efforts in Egypt relied on improving irrigation, on-farm level assistance, and sporadic trials to improve quality and initiate farmers clusters. USAID spearheaded the efforts with three consecutive programmes; NARP, Agriculture Led Exports (ALEB), followed by Agriculture Technology Transfer (ATUT), in addition to a policy programme to liberalize inputs and crops pricing (APRP), and Agriculture Exports and Rural Income AERI. Other programmes on asset creation for poor farmers focused on organizing small farmers into effective associations. H.J Heinz, and USAID/Egypt development alliance programme aims to develop Egypt's processed tomato and other value-added horticulture supply chains by establishing good agricultural practices that meet Heinz's rigorous standards; organize, train and support over 8,000 smallholder farmers; and facilitate the purchases of processed tomatoes and other high-value crops by building sustainable supplier relationships.¹⁸

These projects provided several lessons learned on challenges constraining growth in the agribusiness sector¹⁹:

- Disintegration and lack of awareness of managing value/supply chain adversely affects quality and productivity of fresh produce.
- Underdeveloped value chain infrastructure enhances the marginalization of small farmers, especially in Upper Egypt.
- Post harvest and logistical loss is exceptionally high (60-70%) in poor areas of small farmers in Upper Egypt, thus leading to a loss of income.
- There is a marked lack of concerted and sustained efforts promoting private sector investments with equitable partnering with small growers and processors along the value chain.
- Underdeveloped and insufficient agro/food skilled labor²⁰.

International experience from Senegalese Farmers Global Gap branding and the Indian experience with "doing business with Base of the Pyramid"²¹ demonstrate the success of value chain integration when supported by high quality and financially viable business development services and sustained by demand / market driven orientation. Risk sharing in the form of well negotiated forward contracting, among other risk management tasks, with fair pricing proved to be window for integrating the actors on the value chain and creating the essential bonds among small farmers and private sector in viable long term business partnerships (Rural Enterprise and Agriservice Project, Kenya REAP).²²

Field work conducted by the Ministry of Trade and Industry in conjunction with Food Security Center at Ministry of Agriculture concurs the following opportunities:

18 http://www.acdivoca.org/acdivoca/PortalHub.nsf/ID/news_heinz12.13.07

19 World Bank Policy Note "Upper Egypt Challenges and Opportunities for Rural Development" 2006

20 Chamber of Food Industries in World Bank & Ministry of Trade & Industry Workshop 2008

21 Harvard Business Review 2008 "Doing Business with Base of the Pyramid" by Vicram

22 FAO "Business Services in Support of Farm enterprise Development: A Review of Relevant Experience" by David Kahan 2007

- Small farmers realize the importance of adequate and equitable governance arrangements that involve a multiplicity of stakeholders along the supply chain.
- The existence of the Agribusiness Inter-Ministerial Committee established in 2007 among Ministry of Trade & Industry, Ministry of Agriculture (Food Security Center), and Ministry of International Cooperation alongside Green Corridor Pilot Project Activities.
- Information and knowledge on viable solution and tacit knowledge has been echoed by farmers associations as well as private sector (retailers and supermarkets) as the means to integrate quality and price demand from markets to Farmers and vice versa.
- Women are the major engine of growth along the agribusiness value chain and key to rigorous consolidated income improvements

Description of the Proposed Joint Programme

The **purpose of the programme** is to support pro-poor horticulture value chains in Upper Egypt with a view to improving their position in export and domestic markets. This will be done by promoting and supporting viable equitable partnerships between small farmers and private sector investors in efficient pro-poor horticulture value chains in three locations in the poorest Upper Egyptian Governorates. It includes integrated programmes that help operators and entrepreneurs deal with technical regulations, standards, codes of good practices and conformity assessment required by destination markets (UNIDO). In parallel, operators and entrepreneurs will be supported on business development and advisory services (UNDP), entrepreneurship development (ILO), gender equity (UNIFEM) and marketing activities (all UN agencies). In addition, the programme will also help in developing agro-industrial value-adding activities based on local crops (possibly in cooperation with FAO). The programme shall have the following outcomes:

1. Small farmers and agricultural workers are more equitably integrated into domestic and international value/supply chains of horticultural products through enhanced efficiency, productivity and viable business partnerships with private sector investors.
2. Entrepreneurial forms of organization established by small farmers.
3. Policy and regulatory changes to promote pro-poor private sector-based growth in Upper Egypt's horticultural sector identified and discussed with the GOE.

The programme approach has a high degree of innovation with an integrated concept of assisting service providers and end beneficiaries with the objective to develop sustainable agribusinesses. It will be based on partnerships with the private sector and will provide strong attention to the capacity building requirements of small farmers' associations. It shall build the capacity of PHCs to effectively and sustainably address some of the gaps along the value chain of horticultural products in Upper Egypt, as well as that of FAs to sustainably provide services to member farmers. In addition, the proposed programme shall increase small farmers' contribution to value added, agricultural workers' and small farmers' incomes, farmers' entrepreneurial awareness, as well as the competitiveness of the horticultural value chain in Upper Egypt. Finally, the programme will have a high demonstration effect; as its activities can be replicated in other geographic areas, as well as other economic sectors.

More specifically, the Programme shall:

- ⇒ Select 3 local FAs representing 800 - 1000 small farmers from amongst Assiut, Sohag, Minya, Beni Suf and Qena. Selection shall be based on both equity and efficiency criteria;
- ⇒ Broker partnerships between the small farmers and different kinds of private investors (exporters, domestic retailers, touristic facilities...etc.), thus linking them to international and local supply/value chains;