

2630095 (2)
PD-ADD-980-B1

UNCLASSIFIED

Department of State
Agency for International Development
Cairo, Egypt.

121 p.

PROJECT PAPER

Egypt: Cooperative Marketing Project
263-0095

UNCLASSIFIED

Project Paper

Egypt Cooperative Marketing Project

No. 263 - 0095

Table of Contents

	<u>Page</u>
I. Facesheet Data	
A. Project Paper Facesheet	i
B. Table of Contents	ii
II. Recommendation and Brief Description	1
A. Recommendation	1
B. Brief Description	2
III. Project Background and Detailed Description	2
A. Background	2
1. General	2
2. Constraints	3
B. Detailed Project Description	6
1. Demonstration Effort (pilot)	6
2. Goal	6
3. Purpose	7
4. Program Thrust	8
5. Outputs	14
6. Inputs	16
7. Important Assumptions	17
IV. Project Analysis	18
A. Economic Analysis	18
B. Social Soundness	21
C. Technical Feasibility	25
D. Administrative Feasibility	26
E. Environmental Concerns	29
V. Financial Analysis and Plan	30
A. Source and Application of Funds	30
B. Financial Viability of the Project	32
1. Financial Analysis of UCS	32
2. Revolving Loan Fund	35
C. Payment of Funds and Audit	35
VI. Implementation Arrangements	36
Implementation Plan	36
VII. Evaluation	37
A. Internal Evaluations	37
B. Annual Evaluations	37
VIII. Conditions, Covenants and Negotiating Status	38

Annexes

- I. AID/W PID Approval Message and related cables.
- II. Logical Framework Matrix
- III. Grantees' Application for Assistance
- IV. Project Constraints
- V. Location of Proposed Facilities with Marketing Area
- VI. Training and Technical Assistance Plan
and Job Descriptions
- VII. The United Cooperative Society
- VIII. Financial Annexes
- IX. Implementation Schedule
- X. Statutory Checklist
- XI. Recommendation to Authorize Local Cost Financing
- XII. Draft Project Description for Grant Agreement
- XIII. Initial Environmental Examination
- XIV. Draft Project Authorization Request
for Allotment of Funds
- XV. IBRD Loan for Physical Infrastructure.

Annex Tables

- I. Egypt - Area in Vegetables and Production of Selected Crops
- II. UCS - Production Credit Fund Utilization
- III. UCS Plantings and Production of Selected Horticultural
Crops in Base Cooperatives
- IV. UCS - Suggested Loan Distribution Table--First Cycle
- V. UCS - Projected Number of Borrowers
- VI. UCS - Suggested Participants Savings Plan
- VII. Total Plantings of Fruits and Vegetables in Project Area
- VIII. Production Costs; Yields, Farm Income, and
Margins for Selected Horticultural Crops
- IX. Farm Area, Gross Income, Farm Expenses, Net Farm Income
and Average Income per Feddan for Selected Producers

EGYPT

COOPERATIVE MARKETING PROJECT 263-0095

Project Committee Members

Project Officer - Gene Miller

Alternate - Malcolm Novins

Committee Members

O'Brien Con/FA

Phippard LEG

Laudato PRG/O

Blackton PRG/S

Fitzcharles EHS/H

Tifft PSD

6/27/79

The Egyptian Cooperative System

Private Vs. Public

The organizational structure of the cooperative system is complex. The Ministry of Agriculture is the titular head of the Government Cooperative System. Between the Ministry of Agriculture and some 5,000 local cooperatives lies a multitude of diverse cooperative societies, lines of authority, supervisory agencies and cooperative unions. For the purposes of this report, Government Cooperatives refer to those cooperatives formed by the Ministry of Agriculture. The General Manager of the Local Government Cooperative is appointed by the Minister of Agriculture and is subject to his authority. The Cooperative Board of Directors exercises no authority over the local General Manager.

The UCS, a marketing society, is a private sector cooperative. Private sector cooperatives are chartered under the cooperative law, but differ from government cooperatives in one important respect--that is, they are managed by their members, not by a government appointed manager.

Farmers can be and usually are members of both types of cooperatives. The farmer is forced to patronize the government cooperative in order to obtain inputs and to market his controlled products. However, the farmer voluntarily joins a private sector cooperative - he does so because of the potential benefits he may derive.

II. Recommendation and Brief Description

A. Recommendation

The Office of Agricultural Development recommends that USAID/Egypt approve a grant in the amount of \$ 5,000,000 to assist the Government of Egypt through the United Cooperative Society, a private organization under the jurisdiction of the Ministry of Agriculture, to establish a marketing capability in fruits and vegetables. It is recommended that the entire amount \$ 5,000,000 be authorized for obligation during the FY 1979.

B. Brief Description

With the close of the 1952 revolution the cooperative mechanism was selected as the prime instrument to implement government agricultural policy and to carry out many of the necessary marketing functions in Egypt.

In spite of great amounts of resources devoted to cooperatives the system does not function to its fullest potential. The Ministry of Agriculture has recognized the serious problems inherent in the present system and has requested the assistance of AID in addressing the many constraints related to production and marketing of fruits and vegetables. The pilot project described in this paper was developed, in response to this request by a three member feasibility study team, working periodically over a span of one year with one AID employee. The Project was developed with the cooperation and approval of the Ministry of Agriculture and with select farmers in the Governorates of Alexandria, Beheira, Charbia and Menufia.

AID and the IBRD^{1/} are principal donors to this Project. AID will support (through a grant for technical assistance and training) the institutional development needs of the pilot cooperative in order to upgrade the analytical skills and capabilities of cooperative personnel, to enhance management control, to develop information systems and procedures, to improve storage and handling techniques, and to develop and implement the cooperative's system of grades and standards. AID will also support (through a GOE grant) the establishment of a revolving fund for expanding production credit and increasing the production of fruits and vegetables in the pilot area.

The IBRD or other financial institution will support (through a direct loan to the UCS) the construction of needed physical infrastructure, i.e., refrigerated storage facilities, warehouses, packing line machinery and equipment, refrigerated vans, trucks and other miscellaneous commodities, see Annex XV for the physical infrastructure plan.

1/ It is anticipated that the IBRD will be a donor to this Project. However, the UCS may seek other funding if it so desires, see covenants section and Annex XV.

A key element of AID strategy is to support an extensive training program both in-country and in the United States, and to provide technical assistance for training endeavors and the development of essential personnel skills.

This project will support several other AID financed projects. Agriculture in general is dependent upon an efficient and effective marketing system. Without such a system, most production oriented projects, i.e., Major Cereals, Rice, New Lands Development, Agriculture Credit, Appropriate Technology, Mechanization, etc. will have difficulty achieving their expressed goal. This pilot project will demonstrate to the sector an improved marketing system which can be replicated for all agricultural products.

III. Project Background and Detailed Description

A. Background

1. General

The Government of Egypt (GOE) has developed a very extensive cooperative system to facilitate implementation of government policy. Most Egyptian cooperatives are designed to assure the government a quota supply of major crops, to enforce crop rotations, and to provide a means of collecting payment for inputs, such as seeds and fertilizer, furnished in kind to ensure the desired production. There are some 5,000 village cooperatives in operation today.

In spite of the extensive cooperative system and the great amount of resources devoted to cooperatives the system does not function to its fullest potential--it suffers from an array of problems and is of only limited effectiveness. Thus, although the GOE has invested substantially in cooperatives, the agricultural needs of the small farmer are still not being met. This is particularly so with regards to the marketing of farmers produce.

United States assistance to Egypt in the cooperative field was initiated in 1976 when the GOE requested the Cooperative League of the United States (CLUSA) to provide technical assistance to the government cooperatives. This request resulted in a Joint CLUSA-USAID proposal to study the problems and determine the feasibility of a cooperative project. Given the serious problems which the Egyptian agricultural cooperatives had encountered in the past few years it was felt that a project involving a function around which farmer groups could be organized, in which they could have maximum participation, and from which they could derive greater benefits than the traditional farm production activities, should be sought.

A prefeasibility study carried out by CLUSA found that apart from the traditional agricultural cooperatives there exist several fruit and vegetable marketing "societies." The marketing "societies" (cooperatives) enjoy a greater degree of autonomy than do the government cooperatives. On this basis it was felt that a project uniting several of the more viable (or potentially viable) fruit and vegetable marketing cooperatives into a central cooperative structure would be the most appropriate strategy.^{1/} AID plans to support this strategy with a pilot project. This approach should provide the institutional capability to more effectively service the small farmer/producer member.

There is additional merit in considering a fruit and vegetable marketing system as a starting point for providing U.S. assistance to Egyptian agricultural cooperatives. Annex Table 1 shows there is a promising growth potential for horticultural crops--areas planted in fruits and vegetables and their output are displaying sharp upward trends. Finally, an Interagency Task Force states, "rationalization of marketing services for fruits and vegetables is an urgent need. (The type of service employed is less important than that a start be made.)."^{2/}

One problem with using agricultural cooperatives as instruments of development in many developing countries is that they are organized from the top down by presidential or legislative fiat with prescribed by-laws and functional limitations designed by government officials--rather than being formed spontaneously by the farmers themselves. The usual reasons are that governments need a mechanism for distributing agricultural inputs on an equitable basis, to encourage agricultural production and to enforce agricultural development policy. Justification for creating the cooperatives is that without government initiative the farmers might not organize, development would take place more slowly, and it would be more difficult to reach all of the farmers.

This is basically the case in Egypt, the agricultural cooperatives are charged with the delivery of inputs and the collection of loans. There is a degree of merit in this type of governmental action--but it can create serious problems which return to plague those agencies attempting to accelerate agricultural and rural development through cooperatives or

^{1/} The project is designed to provide assistance to a central cooperative structure--extension-type activities at the farm level will not be carried out under the auspices of this project. Assistance will be in the form of technical assistance, training and credit.

^{2/} "The U.S. Assistance Program for Egyptian Agriculture," February-1978, Interagency Task Force, Agricultural Survey Team.

similar self-help organizations. The farmer has a tendency to view the cooperative as an extension of government and not as his own organization intended to be a provider of services and distributor of benefits. He has little motivation to be an active participant unless he receives tangible benefits. Again, the measure of securing government civil servants to work in and manage the cooperatives only reinforces the farmer's distrust of the cooperative system.

This pilot project has been designed to avoid these pitfalls. Cooperative leaders from the private cooperative sector have actively participated in every development step. They have participated in identifying the target production areas, in selecting the major market outlets, in the development of a market plan and the organizational structure of the United Cooperative Society, (UCS). This is, in a real sense, a small farmer project. This approach has the approval of the concerned officials in the Ministry of Agriculture and has been viewed with favor by USAID/Egypt.

2. Constraints^{1/}

The constraints to be addressed by this pilot project are those that restrict production increases and marketing efficiency and contribute to low farm prices for the producer and low quality produce for the consumer. These constraints have been identified as institutional, infrastructural, financial, and policy making. The constraints are due to a combination of factors and are basically a result of: (1) excessive governmental control and regulations, (2) insufficient physical infrastructure investments in past years, (3) a shortage of trained personnel, (4) ineffective operational planning and long-term policy decisions, (5) inadequate fruit and vegetable production credit, and (6) congested marketing areas, antiquated transportation methods and general distribution problems. The Project will address the constraints as an overall systems problem, rather than on an individual component basis. Each of the constraints are examined in greater detail below.

a. Institutional: To date, no private Egyptian cooperative has had experience in providing all the marketing services necessary to carry out the complete marketing function. There is an obvious lack of market intelligence throughout the cooperative system. This combined with a lack of market specialization, and highly fragmented system components has fostered an inefficient and ineffective marketing system. The creation of a new central Apex cooperative marketing organization is seen as a first measure to overcome these constraints.

1/ See Annex IV for a detailed listing of constraints.

b. Physical Infrastructure: The storage and handling requirements for fruits and vegetables, as well as technological problems in production, grading and handling are very complex and vary from product to product. Yet, the marketing constraints are clear; capacity and facilities for collection and cooling, packing and forwarding from producer to consumer are primitive when not physically inadequate, and grading standards of produce, where they exist, are limited to size except for the most obvious discarding at the source and during distribution. These constraints create high loss and waste situations which, in turn, reflect negatively on both producer incomes and consumer acceptance and prices. The latter have a depressing effect on consumer demand which, in turn, discourages greater production and thus keeps many potential small producers out of the market.

c. Financial: Serious financial constraints are evident in the production-marketing system. Adequate credit is unavailable to the fruit producer. There is no institutional production credit available to the vegetable producer, other than potato growers. Therefore, fruit and vegetable production is not reaching its full potential. Not only are funds for production credit in short supply, but funds for infrastructure improvements are almost nonexistent. An additional serious constraint is the manner in which financial analyses, forward planning and financial management decisions are rendered.

d. Policy Making/Administrative: Constraints in this area (principally price support and ceiling prices) are largely a reflection of the existing national framework, and thus lie outside the parameters of this Project. However, the Mission is striving in every feasible manner to encourage price reform. Other constraints existing in the cooperative system include: (1) a lack of specialized training, (2) a lack of definitive guidelines as to duties/responsibilities of the Board of Directors and Management, and (3) inconsistent and poor personnel management, and producer-member/management relationships.

The not-so-invisible hand of government permeates the Egyptian economy, and particularly so the agriculture sector. Government cooperatives are used more to implement government policy than to meet the needs of individual farmers. The role of the government cooperative has eroded the confidence of farmers in the cooperative system. This in turn, has impeded the effectiveness of the private sector marketing cooperatives.

B. Detailed Project Description

1. Demonstration Effort^{1/}

This is a pilot project designed to demonstrate to agricultural producers, specifically fruits and vegetable producers, that an improved system for marketing agricultural products can be achieved through a concentrated development effort. The development effort will focus primarily on the constraints related only to marketing, i.e., from the farm-gate to the retailer. The Project does, however, provide funds for production credit at the farm level in order to address the important financial/credit constraint described earlier in this section. The project design does not provide for specific extension type activities related to the credit component. Neither do planned UCS activities encompass retailing of product. The Project, therefore, includes all the marketing activities ranging from the farmgate to retailer, plus production credit.

The GOE has indicated a desire and a willingness to turn over the cooperative system and related marketing functions to the private sector. This Project is a first endeavor to accomplish this objective. The first step will be to assist the 10,000 UCS members.^{2/}

2. Goal

The Project contributes to the overall national goal of increasing small and medium size farmer's income while simultaneously reducing costs of perishable crops to consumers.

a. Relation to GOE objectives

The pilot project supports the achievement of GOE's objectives in the agricultural sector, especially, the goals of increasing the production and marketing of horticultural crops through the private sector and decentralizing decision making to the local group. This Project directly promotes the achievement of these goals by providing technical assistance, training and credit via a revolving fund.

b. Relation to AID objectives

The Project is supportive of AID's objectives in Egypt

1/ The Project is a pilot project inasmuch as it had been designed to stimulate production increases and marketing improvements through support of a new-type cooperative organization. The Project will develop/transfer modern techniques which will foster membership expansion in the pilot cooperative and/or be readily transferred to other farmer organizations.

2/ The UCS is examined in detail in Annex VII.

and in the agricultural sector as outlined in the CDSS. The Project directly addresses the need for greater net income for operators and owners of small operations and increased marketing services and a more intensive use of labor in rural areas. Agricultural production will be increased. The Project will operate in four governorates with a farmer population over 200,000.

3. Purpose

A basic purpose of the Project is to increase the efficiency and effectiveness of private agricultural marketing cooperatives. Achievement of this purpose will enable the private cooperatives to: (a) reduce losses of perishables between producer and consumer, (b) improve quality of perishables, (c) better meet the needs of individual farmer-members, i.e., expanded services and increased production loans, (d) be more functionally flexible through product control, (time/place utility), thereby providing needed leverage for price improvement, (e) increase capital resources and raise salary levels, (f) acquire adequate physical facilities and management expertise.

A second purpose of this Project, to be achieved simultaneously, is to provide sufficient capital for production credit to stimulate a fruit and vegetable production increase of 30 percent.^{1/} The production credit component will be used to purchase agricultural inputs, primarily fertilizer. The 30 percent gain objective will first be realized in only the pilot cooperative. However, it is anticipated that a reasonable spread effect will occur, first in the project area, then throughout the entire country.

Additionally, the Project has been designed to establish in Egypt an institutional capability to provide management, cooperative development, and marketing guidance to other cooperatives and farmer organizations. Achievement of this purpose allows the extension of techniques and knowledge beyond the pilot cooperatives. It provides the opportunity for the U.S. inputs to potentially affect a much larger number of Egyptian cooperators.

Achieving the Project's purposes will have a direct bearing on the broader agricultural sector goals of improving small and medium size farmers' incomes and reducing the costs of domestically produced fruits and vegetables while improving diets for low income rural and urban populations. A more efficient cooperative marketing system with an expanded and modernized network of procurement, storage and distribution points will not only provide the necessary assurances to

^{1/} The basis for the 30 percent production increase is shown in Annex VII.

producers of an accessible marketing outlet for their stimulating higher output levels, but also ensure that products will reach consumers at fair prices with a minimum of deterioration and spoilage. Additionally, this Project offers an opportunity for private sector expansion, increased export potential and encouragement to agri-business firms.

4. Program Thrust

A major thrust of this pilot project is to upgrade and change/modify the existing marketing system of the four fruit and vegetable marketing societies that united to form the UCS Apex organization.^{1/} The UCS Apex organization is a grass-roots up farmer organization. In this case the farmers organized to form the four base cooperatives shown in footnote one. The farmers themselves are providing the management, as they elected the Board of Directors from within their membership. In turn, these same farmers voted to form the UCS, and have democratically elected the UCS Board of Directors, again from within their membership.

Section IV D discusses the structure of the Apex group; Section V B shows an analysis of the UCS financial condition; and Annex VII discusses operational background and proposed marketing plan. Successful project implementation is wholly dependent upon the effectiveness of the UCS organization. Therefore, the Project will address the following operational activities of the UCS.

a. Administrative/Management

UCS management, inexperienced in Apex, or centrally managed cooperative operations, will be confronted with a wide range of management problems/decisions. Thus, this activity will focus on the need to provide policy guidance and to develop appropriate action policies.

b. Financial Operations

The thrust of this activity will be to develop a sound financial management system and to ensure effective utilization of the AID financed revolving loan fund.

c. Grades and Standards

This activity will focus on the need to train UCS

^{1/} The four cooperatives that united to form UCS are:
(1) Alexandria Marketing Society (2) Beheira Marketing Society
(3) Gharbia Marketing Society, and (4) Menufia Marketing Society.
See Annex V for locational map and marketing territories.

technicians in methods of classifying products and measuring quality of fresh fruits and vegetables.

d. Marketing - Sales

The main thrust of this activity will be to train UCS personnel in efficient methods of receiving, processing, storing and distribution of produce. Additionally, market analysis, sales policies, pricing techniques and other related activities will receive close attention.

e. Transportation

This activity will address the problems of an antiquated, inefficient, and costly transportation system. IBRD is to provide the physical infrastructure--AID will provide technical assistance and training.

f. Facility, Equipment and Maintenance

An IBRD loan will finance the purchase and construction of equipment and facilities. The thrust of the USAID effort will be to train and assist the UCS personnel in plant and equipment management and sound maintenance procedures.

g. Consumer Impact

The project design team has made two basic assumptions relative to fruit and vegetable consumption, they are:

- (1) That there is a substantial latent demand for high quality fruit and vegetable produce, in Egypt, and,
- (2) That the consumer preference for higher quality will be evidenced through purchases.

In reference to (1) above, the empirical data shows a high level consumption pattern for the average Egyptian household. Therefore, the project design team's assumption that a substantial market potential for high quality produce does exist seems valid--consumer purchases nearly always reflect a preference for superior quality over inferior quality, particularly, if the price is equal or lower.

The project design team has projected a reduction in loss/waste/spoilage of approximately 25 percent, see Annex VII. This reduction in loss will permit UCS to be competitive at all levels of operation and will result in higher quality product for the consumer at a lower than present price (even with the added costs of modernized facilities and equipment).

Note: The improvement in quality and loss/waste reduction are important project "goals," however, neither are included in the Economic Analysis. Project benefits as shown in the Economic Analysis are based solely on projected fruit and vegetable production increases.

h. Revolving Loan Fund^{1/}

The pilot project will directly improve access to inputs in the four governorates for small fruit and vegetable growers through access to the AID loan fund. The project design team has formulated a set of guidelines for the administration of this fund--they are set forth below:

(1) Recommended Flow of Loan Funds

The revolving loan fund, a grant from AID to the UCS, will be for the exclusive use of, and administration by, the UCS. It will be used by the UCS for the exclusive use of funding loan requests received from the four cooperating members. The main thrust of responsibility for loan disbursement and collection falls on the individual Cooperative Marketing Society, however, the overall responsibility for the administration of the lending program will lie with the UCS. The four participating cooperatives are presently lending to small farmer members. Examination of the present loan documentation program for the four "lending" cooperatives revealed an acceptable program that will only need modification for the purpose of standardization.

The following flow of loan funds is recommended:

- (a) UCS allocates funds to the four participating cooperatives.
- (b) UCS advises the Cairo Bank to make the allocation available to the four Cairo Bank branches serving the cooperatives.
- (c) Co-ops invite loan applications from members.
- (d) Co-ops select qualified borrowers in accordance with their fund allocation.
- (e) Co-op forwards bulk loan application to UCS for approval or revision.
- (f) UCS authorized the Cairo Bank to disburse loan funds against invoices.
- (g) As member/borrower sells produce to Co-op, 80% of all sales advances are credited to the loan account until the loan is paid in full.
- (i) Co-op deposits loan collections in the Cairo Bank and adds 10% p.a.
- (j) Cycle is completed and revolving fund is increased by 5% on the first cycle, 10% on the second--compounding interest rate of 10.25% per annum.
- (k) Succeeding cycles are started with the exception of step (b).

^{1/} See Cooperative Marketing Report - Small Farmer Credit Component, by Fredrickson, for details regarding this fund.

- Note: 1. A budget for general administrative expenses will be established in order to provide for recovery of administrative costs through contributed capital and market operations.
2. A reserve for bad debts will be established.

(2) Criteria for Borrower Selection

The actual selection of borrowers will be the responsibility of the loan or executive committees of the participating cooperatives. It is recommended that this committee be comprised of the officers of individual cooperatives. The 3 - 4 man committees will be representative of all the production areas within the area of operation and must be familiar with the overall goal of the Project as well as loan criteria for borrower selection. The UCS will hold a 1 - 2 day course for all loan committees to familiarize them with all aspects of the operation of the revolving loan fund.

Presently, project participants have been instructed to contribute L.E. 4 in share capital to the Cooperative for each feddan of vegetables to be cultivated and L.E. 8 for each feddan of fruit. In the past 3 months, Menufia and Gharbia have added L.E. 41,300 to their capital structure by campaigning for strict adherence to this requirement.

It is suggested that the following criteria be used for the implementation of the Project:

- (a) Current UCS share capital contribution must be paid in full.
- (b) Borrower must have been a member of the participating cooperative for 1 year or his loan must be guaranteed by a qualified member.
- (c) All previous loans must have been paid in full.
- (d) Borrower must be known by the loan committee to be honest, trustworthy and hard working.

Although this criteria may appear to be over simplified, all participating cooperatives have a long history of successful lending using similar standards. Only one cooperative, Menufia, has experienced difficulty and that was in 1977 when bad potato seed resulted in a 30% default rate on L.E. 30,000 of own funds loaned. They are presently in the process of collecting these defaulted loans and have declared a moratorium on the lending of additional funds until all defaulters have paid in full.

It must be remembered that although the farmer is obligated to market his produce through the Cooperative

and apply 80% of marketing proceeds toward loan repayment, these are basically character loans. The real incentive to repay is peer pressure and the knowledge that additional loans will not be granted unless and until all previous loans have been paid in full.

(3) Recommended Loan Distribution

Statistical information and field research indicates that the average size loan for all project loan recipients will average L.E. 83.50 per feddan. The average size operation will consist of 3 feddans so the average loan recipient will receive L.E. 250.50 in production credit per loan cycle or cropping season (see Annex Table 2). The loans will turn over an average of two times each year during the life of the pilot project.

Based on Annex Table 3 about 39% of the total project area for the target crops listed in Table 3 is planted to potatoes. At the present time, these potato growers are receiving some credit from the Principal Bank for Development and Agricultural Credit while the growers of other vegetable crops are receiving virtually no production credit. For this reason, the total amount of production credit for potato growers will be limited to 30% of the project loan funds. About forty percent of the total production feddans in the project area are planted to other vegetables but they will receive approximately 60 percent of the loan funds. Since fruit producers, on the average, farm larger areas and have access to some production credit, loans to fruit growers will be limited and will be a minor part of the entire package. Approximately 10% of the available funds will go to the fruit grower who, in turn, comprises about 6 percent of the target group of small farmers.

Annex Table 4 shows the suggested loan distribution by cooperative and commodity for the first cycle of loans. Basically, this distribution is as follows:

<u>Co-op</u>	<u>Loan Funds</u>	<u>% of Area</u>	<u>% of Funds</u>
Alexandria	351,750	9	16
Beheira	1,031,800	50	36
Gharbia	398,650	17	24
Menufia	562,650	24	24
Total	2,345,000	100	100

(4) Loan Packages

All components of the suggested loan distribution were approved by the four participating cooperatives and the UCS Board of Directors. Several factors remain constant in all the calculations, i.e., total funds, total borrowers, average size loan and average size loan package per feddan. Again, field testing indicates that the following loan packages are reasonable; accurate and acceptable to the growers and Boards of Directors:

Potato loans	- L.E. 80.00 per feddan
Other vegetables	- 80.00 per feddan
Fruits	- 150.00 per feddan

It is recommended that rather strict adherence to Annex Table 4 be given the first cycle of loans. Minor adjustments may be made during the following cycles provided the average size loan per feddan remains at L.E. 84.00.

Although the greatest impact on production will likely be felt in those operations exceeding 5 feddans, the small farmer (less than 5 feddans) will be served by restricting production funds to the larger farm size operators through established UCS policy and loan guidelines.

(5) Projected Revolving Production Loan Fund Increase

Annex Table 2 projects the increase of the revolving production loan fund based on the assumptions that the fund will turn completely over twice a year and that the interest rate to be charged the farmer/borrower will be calculated at 10% per annum.

As interest income becomes available to the Project additional loan recipients will qualify for participation. Table 2 projects that there will be 17,586 borrowers using the revolving fund by 1986. This is an increase of 8,272 from the start of the Project. During the same period the number of feddans in the marketing project area will increase by 24,816.

Present rates of interest being charged the farmer vary from 0% - 6% although the real rate probably exceeds 12% because of the buying commission charged by the cooperatives. The real issue in point is the fact that the project operating loan must return 10%. This will be accomplished by directing the participating marketing cooperatives to adjust their buying

commissions to return the 10%. In other words, the co-op itself would pay the interest debt which in turn would be charged to the farmer in the form of a buying commission.

If the number of project recipients were to expand at a faster rate, say 4,500 per year till 1985, Annex Table 5 shows the amount of additional loan funds that would be required for the marketing project. This table assumes that the loan package size would remain the same.

(6) Project Participants' Savings Plan

The provision of a small farmers' savings plan will be an integral part of UCS's lending program. The essential element in any such plan is total confidence in the savings institution. Once this confidence has been gained over a period of 1 - 2 years, an effective plan will be implemented.

Annex Table 6 indicates the potential of such a program if the loan recipients in the pilot project were encouraged to save the modest sum of L.E. 12 per annum, or L.E. 6 after the marketing of product from each semi-annual loan turnover. The total amount of additional funds to be used for operating loans would be L.E. 527,239. One can only realize the full potential of a successful plan when you recognize the fact that there are roughly an additional 200,000 farmers in the project area that will be receiving indirect benefits from the Project.

Individual members will be issued savings passbooks when an initial deposit of L.E. 1 or more is made. The individual cooperative receiving these deposits will make certain this sum is deposited in a Society savings account that is liquid. Any demand for withdrawal will be met promptly. Interest paid on deposits should be 2% below the amount received by the cooperative so that administrative costs for the operation of the program can be paid from the benefits accruing to the Society. To maintain liquidity, it would be inadvisable for the Society to lend more than 50% of the deposits at any time and this should only be done after experience is gained and a track record for savings is established.

5. Outputs

The outputs of this pilot project which will be produced to achieve the project purpose are the following:

a. Trained Egyptian Personnel^{1/}

By the end of the Project, 6 long-term trainees and 42 short-term trainees will have been assigned to positions in the UCS organization. Long-term trainees will undergo one year of intensive training in the U.S. and will be assigned to the Project immediately upon completion of their training. All long-term trainees will be in position by the end of the Project. All short-term trainees will be in their respective positions by the end of the second project year.

b. Efficient Marketing System

This output will be achieved by the upgrading of a select cadre of UCS management personnel, the construction of 4 new processing facilities, the establishment of a Cairo produce market office, the procurement of essential commodities, and the establishment of a revolving loan fund. New techniques of marketing/distribution will be initiated. These activities will lead to an efficient and effective marketing system.

c. Improved Administration-Operation Capability

An improved administration-operation capability will be achieved through a concentrated program of technical assistance and training. Technical assistance to, and training of, the newly formed Board of Directors and Management of the Apex Organization (UCS) will insure that appropriate decisions are rendered in a timely manner.

This output will end with an on-going capability to continue replication of the decision making process.

d. Improved Quality Control

As this Project is based on the supposition that fruit and vegetable quality plays an important role in the determination of consumption and producer incomes the need to develop higher quality produce is crucial. Therefore, a major output of this Project will be the development of a marketing system that entails improved quality controls. Proven techniques for quality control will be initiated and carried out over the life of this Project. These activities will lead to improved quantity and quality of fruit and vegetables at the consumer level.

^{1/} See Annex VI for UCS training plan. In addition to the duties listed for each position, all technical staff will have responsibility for training of counterparts in their special areas of expertise as well as assisting in providing in-country training programs.

e. Increased Funding Capability and Fruit and Vegetable Production

An important production credit program will be established to provide the UCS with funds for an expansion in the production of fruits and vegetables by the producer-member. The implementation of this phase of the Project will require 3 person-months of technical assistance at the start of the project.

6. Inputs

The inputs required and deemed sufficient to produce the outputs in the preceding section are described below.

('000 US \$)

a. <u>USAID</u>	<u>Total</u>	<u>\$ 5,000</u>
(1) <u>Technical Assistance</u>		<u>\$ 1,237</u>

The Project will provide 7 staff years of long-term technical expertise, and 3 staff years of consultancies as described in Annex VI. The staffing pattern is as follows:

Marketing Advisor - 3 staff years
Sales Consultant - 2 staff years
Operations Specialist - 2 staff years

The job descriptions of the long-term technicians are shown in Annex VI. Consultancies will be provided in the following areas: Grades and Standards, Maintenance and Accounting and Finance.

(2) <u>Training</u>	<u>\$ 198</u>
---------------------	---------------

Training will provide for 72 person months of long-term U.S. training for 6 participants in the fields of marketing and business administration; 99 person months of short-term training for 42 participants for in-country and U.S. training. The proposed participant training schedule is shown in Annex VI. These participants will be trained in packing shed operations, refrigerated storage techniques, truck scheduling and maintenance, export market analysis, and wholesale market inspection. Training will also be provided by the contract technicians in their areas of specialization.

The Project's training schedule has been designed for completion at the end of the second Project year.

(3) Revolving Loan Fund \$ 3,350

The Project will provide for the extension of \$ 3,350,000 of credit to the approximate small and medium sized Egyptian farmers within the project areas. The Cairo Bank will be the banking channel through which production loans to the participating co-operative societies are disbursed.

(4) Evaluation \$ 49

(5) Inflation Allowance \$ 146

(6) Contingency \$ 20

b. UCS/GOE^{1/} Total \$ 4,580

(1) Wages and Salaries 676

(2) Physical Assets 3,679

(3) Training 40

(4) Inflation Allowance 185

c. IBRD Total \$ 9,635

(1) Construction 6,471

(2) Commodities 956

(3) Inflation Allowance 1,465

(4) Contingency 743

7. Important Assumptions

Important assumptions related to the achievement of project objectives are indicated in the Logical Framework Matrix, Annex II. Among the external factors over which the UCS has little or no control are: continued emphasis on fruit and vegetable production, and trainees return to positions in critical areas.

^{1/} The inputs described in this subsection refer to UCS inputs only. Additionally, the GOE, through the Ministry of Agriculture, has tentatively agreed to supply two vehicles for the U.S. advisors and 3 refrigerated over-the-road vans. Back-up vehicles and equipment support has been included in the IBRD loan in case the GOE cannot provide the equipment.

IV. Project Analysis

A. Economic Analysis

The economic analysis shows that the project is economically profitable, giving an internal rate of return of over 16% with a ten year planning period. This estimate is based on cost and benefit estimates shown in Table IV-1. The estimate is conservative in terms of benefits to the target group and the rate of adoption of project technology by other farmers in the Project area.^{1/} The calculation of the expected return is based primarily on an increase in the net farm income of the target group and during the latter part of the Project period to only 25 percent of other farmers in the project governorates. Benefits were calculated separately for each group. Because much of the proposed project is institution building rather than directly productive, indirect benefits of the Project as well as direct benefits will be significant.

In the case of a marketing project of this nature, it is clearly not feasible to conduct separate cost-benefit analyses for each component. A cost-effectiveness analysis may be used to estimate the value of the Project compared to the current status. The Project will reduce the cost of marketing fruits and vegetables via systems efficiencies and other production services provided UCS members. Thus, the Project activities will become more cost-effective. Alternative approaches include focussing on specific segments of the production and marketing system--such as assembly, handling, warehousing, transportation, credit, selling, etc.

1. Benefit Stream

The overall project benefits are twofold, i.e., an increase in net farm income to the producer member and other fruit and vegetable farmers in the project area, and an increase in supply and quality of horticulture crops for consumers. The specific target group of this project is that of small farmers located in the pilot project area. These farmers are principally fruit and vegetable growers. Some undertake joint production schemes, others farm independently. According to census data over 50 percent are tenants; farming land of others. All of them will benefit from an improved marketing system, storage facilities and increased working capital. A survey of producer members of the United Cooperative Society shows that the average producer-member cultivates less than 5 feddans of land--over 50 percent of the producers farm less than 2 feddans, see Annex Table 7. The data indicate that the UCS farmer-member is representative of the total farm population, both as to size and income.

^{1/} Other farmers in the Project area will adopt, unassisted, the cooperative program as a result of demonstrated production credit accessibility and higher net income potential.

Table IV 1
Project Cost-Benefit Analysis
(\$ '000)

	80	81	82	83	84	85	86	87	88	89	90	Total
<u>Costs^{1/}</u>												
Project Total	10,230	5,566	1,597	169	169	169	169	169	169	169	169	18,745
<u>Benefits^{1/}</u>												
UCS members	-	162	375	682	1,157	1,914	3,165	4,698	6,536	8,967	12,900	40,556
Other farmers	-	-	-	-	750	1,575	1,730	1,905	2,100	2,300	2,500	12,860
Total	-	162	375	682	1,907	3,489	4,895	6,603	8,636	11,267	15,400	53,416
Net Benefits	-10,230	-5,404	-1,222	513	1,738	3,320	4,726	6,434	8,467	11,098	15,231	34,671
<u>Present Value</u>												
16%	-10,230	-4,658	- 908	329	960	1,581	1,940	2,276	2,582	2,918	3,451	241
17%	-10,230	-4,619	- 893	320	927	1,514	1,842	2,143	2,411	2,701	3,168	- 716
<u>Net Present Value</u>												
16% :	241											
17% :	-716											
IRR :	16+											
<u>B/C ratio</u>												
(undiscounted) :												
<u>2.8</u>												

1/ Excludes inflation

Annex Tables 8 and 9 show that the present average annual net farm income per feddan for small producers (1 - 2 feddans) is about 90 - 100 dollars. The project design team conservatively estimated that the fruit and vegetable farmer cultivates an average 3 feddans of land. Thus, the present total annual net farm income for the 10,000 UCS members is approximately \$ 3.0 million. A 20 percent increase in annual net income for UCS members would result in a total net income increase of about \$ 600,000. See Annex VII for projected membership and benefit flow for the UCS.

It is intended that the pilot marketing system serve as a functional model to aid the small farmer through the marketing process. In the four governorates within which project facilities are to be located there are over 200,000 nonmember producers of horticultural crops. An increase in net income of five percent for only 25 percent of the non-member producers would be equal to \$ 15 per operator or \$ 750,000 per year.

Benefits will also accrue to consumers (mostly in urban areas) from the increased supply and quality of fruit and vegetables. The distribution of project benefits between producers and consumers is related to the domestic income and demand elasticity for fruits and vegetables. Providing services to producers of horticultural crops will become more cost-effective. The Project will move agriculture in Egypt one step toward competitive production and marketing.

a. Lower Operating Costs

Production and marketing costs will be reduced as a direct result of this Project. Lower costs will result from increased volumes, modern and efficient facilities, improved management expertise, and loss reduction.

b. Improved Services to UCS Members

The small farmer producer member will have access to improved services, i.e., production loans for input purchases, an assured market outlet, more knowledgeable management, modern facilities, etc.

c. Increased Net Income for the Small Farmer

Project activities will increase the net income for UCS members and other small farmers in the project area by reducing the cost per unit of marketed product.

2. Benefit/Cost Analysis

Costs were defined to include the direct project costs

of AID, UCS and the IBRD and the on-going staff and operating expenses of UCS.

It is expected that the Project will significantly reduce the costs to the UCS and the producer-member. These cost reductions have not been incorporated into the benefit/cost analysis. These cost savings, however, will enable the UCS to provide greater producer-member services at the same cost. In other words the UCS operations will become more cost-effective (as described in a, b and c above).

Table IV-1 shows costs over the 10 year period to be \$ 18.7 million and benefits as \$ 53.4 million. The resultant benefit/cost ratio is 2.8.

B. Social Soundness

The project design takes into consideration the social context in which it is staged and it is felt that cooperatives are responsive to the needs of the small farmer and other participants in the rural society.

Cooperatives have played an important role in the Egyptian society since 1952. Even though farmers are "forced" to belong to the Government Cooperative system, and do not always approve of the manner in which they operate, the exposure has brought about a modicum of acceptance to the cooperative way of doing business that would not have otherwise occurred. The "forced" participation of farmers in cooperatives has developed an understanding of cooperatives, and has created a desire to form and participate in those of their own choosing. The private cooperative societies are rapidly increasing in membership and will continue to be an important institution in the rural areas.

The cooperative institution is one that fosters social interaction among its members and searches out leadership. The farmer himself will have to become the "Board of Directors" and each farmer will have a voice in the decisions of the cooperative. The Project will, therefore, encourage leadership, greater self-reliance, and social interaction.

Table IV-2 shows a projected breakout of benefits expected to accrue to the UCS farmer-member. Nearly 55,000 small farmers will have utilized loans totaling more than \$ 20 million by 1984. The revolving loan fund will increase nearly 50 percent and if members save an additional L.E. 12 (as shown in Annex Table 5) this fund alone will amount to approximately \$ 754 thousand. Improved quality and direct market savings should show a substantial return to members by 1984.

Table IV-2 UCS - Projected Benefits to Members, 1980-1984

	<u>Loans to^{1/}</u> <u>Patrons</u> (Number)	<u>Loan Fund</u> <u>Growth</u> (000 L.E.)	<u>Member Savings^{2/}</u> (L.E.)	<u>Members Producing</u> <u>Improved Quality^{3/}</u> (Number)	<u>Direct Market</u> <u>Savings^{4/}</u> (Percent)
1980	9,314	2.53	77,194	1,000	0
1981	9,778	2.79	166,905	2,200	3
1982	10,796	3.07	270,651	3,500	6
1983	11,902	3.39	390,134	4,900	9
1984	13,122	3.73	527,239	6,400	12

1/ Average loan calculated at L.E. 250. Nearly L.E. 14 million will be loaned to members over the 5 year period, (based on nearly 55,000 members receiving a loan over the period).

2/ Saving L.E. 12 per year at 7 percent interest.

3/ Quality improvement could return as much as 10 percent over market price.

4/ As a result of improved marketing capabilities.

1. Beneficiaries

The Project is aimed at the poorer segment of society, the small peasant fruit and vegetable producer who has less than 5 feddans of land. The target group that will most directly benefit from project activities are the present 10,000-projected 25,100 fruit and vegetable producer-members of the UCS.^{1/} These fruit and vegetable farmers and their marketing cooperatives are located in the governorates of Alexandria, Beheira, Gharbia and Menufia. In these four governorates there are an additional 200,000 producers of horticultural crops that will receive indirect benefits from many of the project activities. The UCS will market produce for nonmembers as well as members. The project marketing system is intended to serve as a functional guide to aid farmers in marketing their crops. Therefore, lower operating costs and efficiencies should accrue from efficiencies achieved throughout the production, processing and marketing of horticultural crops.

On-farm benefits--will accrue from the project's revolving fund which will provide more loanable funds for improved production inputs to small producers. Inputs will include improved varieties of seeds and information relating to marketing of members' horticultural crops. The Project will improve present services to small farmers and extend several additional services to them. The small farmer will also be provided with more employment opportunities both on farm and in marketing activities.

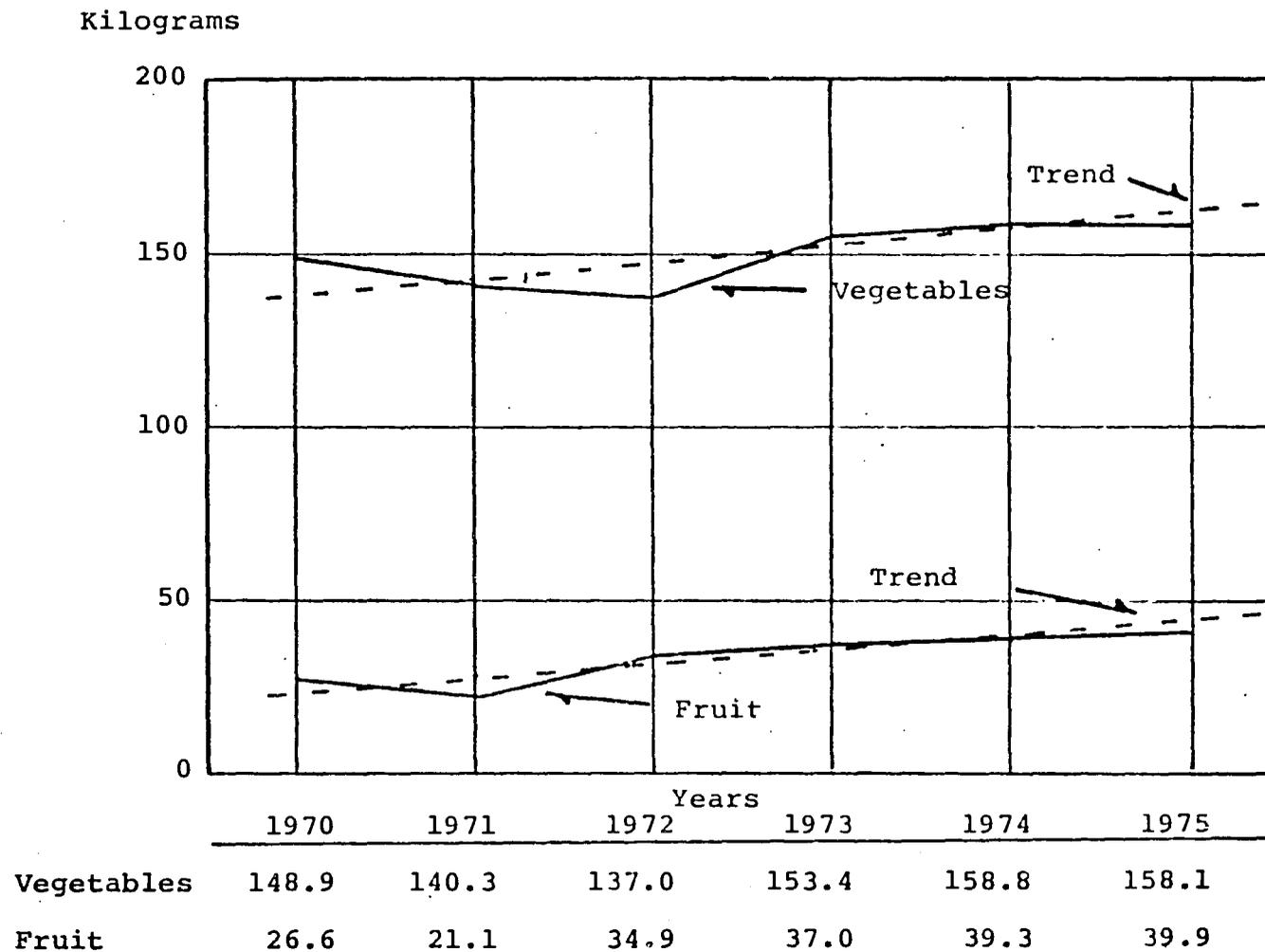
Consumers will be major beneficiaries of the proposed project through an increased higher quality food supply. All income groups are traditionally, relatively "high consumers" of fruits and vegetables (see Figure 1). Thus, both the rural and urban consumer will benefit.

2. Spread Effect

There are no known significant socio-cultural constraints to the spread of project benefits. Geographical spread within the next decade will be limited to irrigated land in Egypt which is not required to produce quotas of specified crops such as cotton, rice, wheat, etc. Irrigated areas in the proximity of urban centers and ports have an advantage over those further away. In general, irrigated areas between Cairo and Alexandria are favored for fruit and vegetable production. There are farm leaders in Egypt outside the project area that are profit oriented and will be observing project results relating to production of horticultural crops.

^{1/} See Annex VII for a further description of the target farmer and his cooperative organization.

Figure 1 Estimated Consumption of Vegetables and Fruit per Capita
(Kilograms)



The higher the profit incentive the faster benefits will spread to other Egyptian producers of fruit and vegetables.

3. Role of Women

Egyptian women currently play an active part in financial management and family decision-making. Women are also active in field work, food processing, fruit and vegetable harvesting, and marketing.

An increased number of women will work in cooperative offices, major collection centers for fruit and vegetables, and in the centers for the distribution of production inputs to UCS farm operators. Increased employment of women will be required for the operation of the new production and shipment centers, the new fruit and vegetable plants, and the inter-communication system. Many of these opportunities will be a considerable improvement over current activities. Women owners and operators of fruit and vegetable farms in the Project will obtain benefits equally with others. Women will also benefit as users and consumers of improved fruit and vegetables.

The UCS has approximately 11 women employees or 11 percent of the total staff of 106 full time employees. Large numbers of seasonal employees work during periods of harvesting, processing and transporting of fruits and vegetables. Approximately 75 percent of these are women. The UCS will be encouraged to continue and expand upon hiring women and to allow women to become bonafide cooperative members.

C. Technical Feasibility

Implementation of the pilot project presents few technical difficulties. The technologies to be used have been proven in prior experience in Egypt and elsewhere. From a technical standpoint the Project consists of three components designed to overcome the marketing constraints delineated in Section III. The Project will provide, (1) technical assistance and training, (2) "seed capital" so that the pilot cooperative will have adequate capital to expand memberships and to increase the size and number of production loans, and (3) the necessary basic physical infrastructure for a pilot marketing activity.

1. Technical Assistance and Training

This component will be financed by AID under the grant through a host country contract. The costs, kinds, amounts, timing, and etc. for the technical assistance and training have been identified by the project team and are set forth in the appropriate sections of this paper. This component addresses the institutional development needs of the pilot cooperative. The GOE and management in the cooperative

recognize that augmentation of managerial competence at various levels is a serious need and are anxious to implement this aspect of the Project. A major portion of the training for personnel of the cooperative will be performed in-country by the technical assistance advisors. However, to allow for opportunities for key personnel to attend long and short-term training courses, regional conferences and technical meetings, and to study organizations and methods at similar institutions, funds for participant training have been provided.

2. Revolving Loan Fund

This component will help alleviate what has been identified as a major constraint on the ability of the cooperative to meet members' needs and will encourage additional interest by farmers in marketing through the cooperative and becoming active cooperative members or reactivating membership. Improved management practices will be introduced to ensure project success. The techniques to be introduced are standard for cooperative marketing operations in more developed systems. A credit specialist has been included in the project design to develop the recommended procedures outlined in the economic analysis. Increased availability of credit to the farmer will enable the producer-member to adopt yield-increasing measures to meet the income growth targets outlined in the economic analysis.

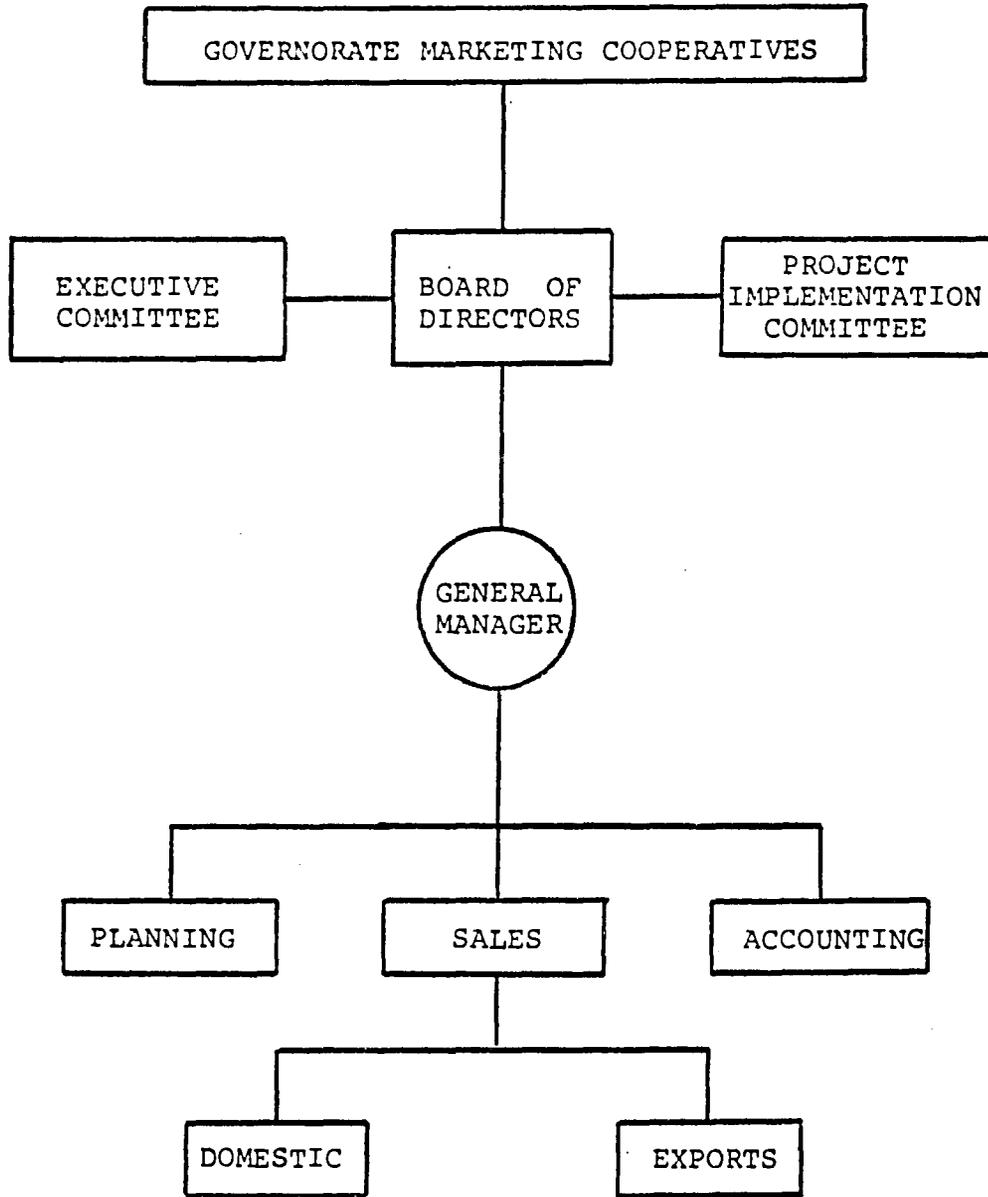
3. Physical Infrastructure

The physical infrastructure component of the Project consists of: (a) the construction of storage and handling facilities for perishable commodities in the production and consumption centers, and (b) the purchase of perishables transport equipment. The design, equipping and location of these physical facilities are aimed at substantially reducing physical losses and storage and handling costs while providing small and medium size producers greater accessibility to the market and ensuring that products flowing through the system reach consumers at fair prices with a minimum of deterioration and spoilage. The IBRD will finance this component of the Project. The estimated costs for the physical infrastructure component are shown in the financial section of this paper.

D. Administrative Feasibility

The Cooperative Marketing project will be primarily carried out by the United Cooperative Society. The UCS is a newly created Apex Cooperative Marketing Organization formed explicitly to implement this Project. Figure 2 shows the organizational structure of the UCS. The proposed marketing and operational plan and by-laws of the UCS are shown in Annex VII. Other

THE UNITED COOPERATIVES SOCIETY
FOR MARKETING FRESH FRUITS AND VEGETABLES
ORGANIZATIONAL CHART



Egyptian institutions to be involved in project administration will be Misr Bank, and the Ministry of Agriculture. The heaviest responsibility will fall on the officials of the UCS and the cooperative boards of the four participating cooperatives of Alexandria, Beheira, Charbia and Menufia.

Operationally the technical assistance to the Cooperatives will be provided through the Office of the Undersecretary for Cooperatives in the Ministry of Agriculture.^{1/} The Minister of Agriculture shall appoint a qualified Egyptian Cooperative Marketing Specialist as Director of UCS/MOA Affairs. In this manner, the Project will develop an institutional capability to extend such services beyond the initial pilot group and after USAID financed personnel are phased out. Technical assistance and training will be directed at upgrading the administrative skills and capabilities of key UCS personnel, at enhancing management control, and at developing information systems and procedures. The four Cooperative Organizations that united to form the UCS are each, in their own right, established viable farmer marketing cooperatives. They have a past history of marketing success as attested to by their respective balance sheets shown in Annex VIII.

The administrative requirements for project implementation are within the capacity of the UCS, MOA and participating co-ops. The UCS is moving rapidly in increasing membership and the financial soundness of the society. Training of local managers and technical assistance (project activities) will support local administrative activities and capabilities.

1. Existing Personnel Resources

The four cooperatives presently have in their employ 106 people. These individuals now carry out tasks representative of those planned within the Project. It is anticipated that existing qualified personnel will be assigned to appropriate positions upon implementation of this Project.

2. Project Personnel Needs

Even though the four cooperatives have significant numbers of trained people in their employ, there exists a need for additional "specialized" employees and a need for further training of a select group of management personnel.

3. Physical Facilities

The present inadequate facilities will be expanded with IBRD funds to permit more efficient and effective marketing.

^{1/} CLUSA has submitted an operational program grant proposal to the Mission for this project. If the CLUSA proposal is acceptable to the Mission the USAID intends to contract with CLUSA, under its Basic Order and Agreement to implement the Project.

With the expansion will come a need for additional personnel trained in the fields of plant management, grades and standards, accounting, etc.

E. Environmental Concerns

No serious environmental impact is anticipated. The USAID funded portion of the Project is for technical assistance, training and credit. These funds are earmarked for increasing the efficiency of activities already underway, i.e. producing, processing, storing and transporting UCS members' production of fruit and vegetables. An IBRD loan will finance minor construction and machinery purchases. Land use patterns will not be changed significantly. The percent of irrigated project area in vegetables will increase by a few percentage points and less intensive type crops will decline accordingly. Use of fertilizer will be encouraged. Pesticide use will remain rather constant over the 10 year life of the Project. Improved physical infrastructure will provide improved working conditions for current employees. Project will provide some additional employment in the project area. In total, however, impact on the environment is not a concern in this Project. A negative determination of the Project initial environmental examination was approved (see Annex XIII).

V. Financial Plan and Analysis of UCS Financial Conditions

A. Source and Application Funds

The project will be jointly financed by AID, IBRD and the UCS/GOE. The total cost of the project is estimated at \$ 19.2 million. AID will provide a grant of \$ 5.0 million. The IBRD will provide a loan of \$ 9.6 million and the UCS/GOE will contribute \$ 4.6 million equivalent in kind and cash, or 24% of total project costs, or approximately 50% of AID - UCS/GOE project costs, see Table V (2). Annex VIII shows the projections of expenditures by fiscal year along with additional financial information.

The total AID input of \$ 5.0 million will be provided in FY 1979, subject to the availability of funds, in accord with the proposed budget shown in Table V (1), and in block 11 of the facesheet.

Table V (1)

AID Obligations by Fiscal Year

('000 US \$)

Item	FY 1979		Total
	FX	LC	
<u>AID Outputs:</u>			
Evaluation	40.3	9.0	49.3
Technical Assistance	865.5	371.0	1,236.5
Training	81.2	116.8	198.0
Revolving Fund	-	3,350.0	3,350.0
Subtotal	987.0	3,846.8	4,833.8
Inflation	94.9	51.5	146.4
Contingency	8.1	11.7	19.8
Total AID	<u>1,090.0</u>	<u>3,910.0</u>	<u>5,000.0</u>

AID funds will be utilized for all foreign exchange requirements, which are estimated to be approximately 22 percent of the AID costs of the Project. Major components of those costs will be procurement of technical contract services along with participant training.

Approximately, 78 percent of the AID inputs to this Project will be utilized for local currency funding.

Table V (2)

Summary Cost Estimate and Financial Plan
(¹000 US \$)

Use	AID			GOE			Combined			IBRD ^{1/}		
	FX	LC	Total	FX	LC	Total	FX	LC	Total	FX	LC	Total
Technical Assistance	865.5	371.0	1,236.5	-	-	-	865.5	371.0	1,236.5	-	-	-
Training	81.2	116.8	198.0	-	40.0	40.0	81.2	156.8	238.0	-	-	-
Revolving Loan Fund	-	3,350.0	3,350.0	-	-	-	-	3,350.0	3,350.0	-	-	-
Wages and Salaries	-	-	-	-	675.6	675.6	-	675.6	675.6	-	-	-
Physical Assets	-	-	-	-	3,678.8	3,678.8	-	3,678.8	3,678.8	-	-	-
Evaluation	40.3	9.0	49.3	-	-	-	40.3	9.0	49.3	(const) →	6,471.0	6,471.0
Commodities	-	-	-	-	-	-	-	-	-	956.0	-	956.0
Subtotal	987.0	3,846.8	4,833.8	-	4,394.4	4,394.4	987.0	8,241.2	9,228.2	956.0	6,471.0	7,427.0
Inflation	94.9	51.5	146.4	-	185.8	185.8	94.9	237.3	332.2	95.6	1,369.6	1,465.2
Contingency	8.1	11.7	19.8	-	-	-	8.1	11.7	19.8	95.6	647.1	742.7
Project Total	1,090.0	3,910.0	5,000.0	-	4,580.2	4,580.2	1,090.0	8,490.2	9,580.2	1,147.2	8,487.7	9,634.9

^{1/} IBRD estimates are not included in the combined total. The combined total of all three institutions is \$ 19.2 million.

BEST AVAILABLE COPY

This will support the revolving loan fund component and miscellaneous in-country support costs of the contract technicians. By the time this Project begins full implementation and the local expenditures will be required, Egypt will be leaving the status of an excess currency country. AID in certain specified types of project has provided dollar funding to purchase Egyptian pounds. The type of projects include those that would have a significant impact on meeting the needs of the poor majority or that would encourage the Egyptian Government to undertake new policy initiatives affecting the country's poor that is otherwise not initiate. The Cooperative Marketing Project meets both these criteria. Justification for the use of dollar funds in association with local currency expenses is provided in Annex XI.

Table V (3) shows the estimated costing of project inputs/outputs.

B. Financial Viability of the Project

Under this grant, the grantee is the Government of Egypt and not the United Cooperative Society. The following discussion focuses on the financial viability of the UCS.

1. Financial Analysis of UCS

a. Summary

An examination of the financial reporting systems of the United Cooperative Society (UCS) member cooperatives indicates an adequate continuity of year-end accounting information for the purpose of determining the financial position of each base organization. However, in analyzing the financial data frequent inconsistencies in the treatment of accounts were discovered making comparative financial analysis both complex and unreliable. Additionally, operational activities are poorly reported resulting in a total lack of a cost information base for managerial decisions. The deficiencies in the current financial management reporting systems society necessitates a revision of the general accounting and the introduction of cost accounting procedures and management control systems. Those changes will upgrade the quality of the financial information enabling management to identify and conduct organizational problems at the base cooperative level. At the apex level UCS will benefit by beginning operations with a fully functional financial reporting system and the basis for forward planning of marketing operations. Under the Project UCS will provide the necessary technical assistance to bring about the changes in the existing reporting system.

Table V (3)

d. Costing of Project Outputs/Inputs

Egypt-Cooperative Marketing Project

FY 1980 - 1983
('000 U.S.\$)

Project Inputs	PROJECT OUTPUTS*					
	Total	1	2	3	4	5
<u>AID</u>	4,951 ^{1/}	480	1,150	321	156	2,844
Technical Assistance	1,237	371	371	248	120	127
Training	198	59	59	40	20	20
Revolving loan fund	3,350	-	670	-	-	2,680
Inflation	146	44	44	29	14	15
Contingency	20	6	6	4	2	2
<u>GOE/UCS</u>	4,580	1,192	1,653	824	444	467
Salaries & Wages	3,679	1,100	1,100	736	360	383
Training	40	12	12	8	4	4
Physical Assets	676	65	416	65	65	65
Inflation	185	15	125	15	15	15
<u>IBRD</u>	9,635	960	4,830	1,925	960	960
Construction	6,471	650	3,250	1,271	650	650
Commodities	956	95	480	191	95	95
Inflation	1,465	145	740	290	145	145
Contingency	743	70	360	173	70	70
<u>Total</u>	<u>19,166</u>	<u>2,632</u>	<u>7,633</u>	<u>3,070</u>	<u>1,560</u>	<u>4,271</u>

* Outputs are as follows:

1. Train cooperative marketing specialists
2. An efficient marketing system developed and in place
3. An effective cooperative administration unit in operation
4. Improved quality control technology
5. Increased amount of loanable funds available in UCS system

^{1/} Evaluation Allowance of \$49,000 not included (w/evaluation costs total equals \$5.0 m.) 131

b. General Condition of Financial Reports

The operating statements do not report sales or commissions volumes in tons or other unit of measure to provide a point of reference in assessing market operations. Since only gross margins and general expenses are reported results from operations by cost centers is impossible.

Balance sheets have acceptable current ratios, but treatment of liability and capital accounts are not in accordance with accepted accounting practice.

1. Additional to Financial Summary

A concept of financial planning, use of budgets and cost accounting is totally absent in the UCS member cooperatives. Marketing services for member farmers' crops is only offered by one cooperative, Alexandria, the other three cooperatives seldom participate in the marketing function and act only as agents for crop deliveries to wholesalers and exporters. These cooperatives receive a maximum commission of L.E. 1.5 for potatoes and L.E. 2.0 for oranges per ton. Exporters, in turn, are reported to clear a minimum of L.E. 30 per ton of potatoes.

c. Distribution of Net Margins

The UCS Project will promptly return to the member cooperatives marketing margins after legal reserves and the necessary working capital for the following fiscal period. For full impact on the project the results of the UCS marketing activity will be made available to all cooperative farmer members indicating the margins obtained, by product, and other pertinent marketing information.

d. Comparative Balance Sheets

Annex Table VIII (4) shows the comparative balance sheets for the four UCS member cooperatives; Alexandria, Beheira, Gharbia, and Menufia for the years 1977 and 1978 with a 1979 projection. In general terms, the current ratio shown in Annex Table VIII (5) indicates a favorable capacity of the cooperatives to pay short-term debts. In the liquidity ratio (acid test) the cooperative's ability to turn its assets into cash promptly to meet its liabilities is equally favorable. The solvency and capital turnover ratios noted will improve with the infusion of project's and UCS member contributions and implementation of the marketing plan (see Annex Table VIII (5) for other financial ratios).

Annex Table VIII (6) shows the consolidated balance sheet for the four UCS member cooperatives with the resultant financial ratios. It should be noted that the equity capital estimates for 1979 are the highest for all cooperatives since 1974. Annex Table VIII (7) shows UCS profit and loss statement for 1977 and 1978 with 1979 projections.

2. Revolving Loan Fund

This pilot project addresses the need for an increased line of credit so that the UCS will be in a position to expand its production credit program to its producer members. The Project design team has set forth a workable, manageable, viable and concise plan for the extension of \$ 3,350,000 of credit to the approximate 10,000/25,100 small and medium sized farmers within the project area.

The revolving loan credit component is a grant by AID to the GOE, who in turn, will grant the total sum to the UCS. The mechanics of this fund is discussed in Section III.

The Project will start with the entire amount, \$ 3,350,000 or L.E. 2,345,000, in the production credit revolving fund. Therefore, the entire amount has been obligated in FY 1979 and will be provided for use in FY 1980.

C. Payment of Funds and Audit

The specific procedures for payments under the Project will be detailed in the Grant Agreement or in Project Implementation Letters (PIL's). Payments will be made in accordance with U.S. Government regulations and policies. Payment in dollars will be either through direct letters of commitment or letters of commitment to a U.S. bank. It is probable that payments for local costs will be handled by an initial advance to the Grantee for expenses anticipated for a period of three months. Accountability would be every three months, and additional advances would be subject to the acceptability of such accountability by AID. The UCS will develop a regular system and schedule to audit the financial accounts established under the Project. This audit function will be the sole responsibility of the UCS with such GOE audit assistance as appropriate. In keeping with standard U.S.G. procedures, AID reserves the right to audit U.S.G. financial goods and services.

VI. Implementation Arrangements

The pilot project will be implemented by the UCS in co-operation with the Ministry of Agriculture and the Cairo Bank. A contractor, working under a host country contract with the UCS, will provide technical assistance and all other services, once this contractor arrives. It is expected that full project implementation will get underway early in FY 1980.

Project funds will flow to the contractor and to UCS through the Cairo Bank. There will be no commodity procurement with AID funds, nor is there an AID funded construction component.

The USAID/Egypt Assistant Director for Agricultural Development or his designee, will have AID management responsibility. Day-to-day monitoring will be by the appointed USAID project officer. Arrangements for evaluation are covered in the following section.

Key points in the implementation plan are shown below-- a detailed implementation schedule is shown in Annex IX.

Implementation Plan

The following table shows the schedule for key implementation elements. See Annex IX for the detailed implementation schedule.

<u>Summary of Annex IX Implementation Schedule</u>				<u>Implementation</u>
<u>Project Action</u>	<u>Completion Date</u>	<u>Month of Project</u>		<u>Responsibility</u>
<u>Project Management</u>				
Grant Agreement signed	8/79	0		AID/GOE
UCS Key Personnel in place	8/79	0		GOE
CLUSA - GOE contract signed	9/79	1		CLUSA/GOE
CLUSA - USAID contract	9/79	1		CLUSA/USAID
MOA personnel in place	9/79	1		GOE
Team Arrives	10/79	2		Contractor
Implementation begins	11/79	3		Contractor/GOE
First Evaluation (external)	1/81	17		USAID
Second Evaluation (external)	1/83	41		USAID
Team Departs	10/82	38		Contractor
<u>Project Action</u>				
Revolving loan fund operation	1/80	5		Contractor/GOE
Initiate training program	4/80	8		Contractor/GOE
Establish Cairo Produce Market Office	6/80]	10		Contractor/GOE
Preparation of Operating Manuals	12/80	16		Contractor/GOE
Training program complete	10/82	38		Contractor/GOE

VII. Evaluation

The logical framework for the Project, attached as Annex II, outlines the criteria for measuring both the progress of the Project in terms of achievement of outputs and the effectiveness of the Project in terms of improving UCS's marketing policies and procedures.

Continuous internal evaluations and three annual evaluations are scheduled to insure that project objectives and commitments are met.

A. Internal Evaluations

The internal "in-house" evaluations by the contractor and the UCS staff are to insure that all project activities are being directed toward the achievement of project outputs and purpose. The form and scheduling of reviews will be left to the discretion of project management. The intent of these evaluations is to emphasize the need to examine progress on a continuing basis to insure project effectiveness.

B. Annual Evaluations

USAID/Egypt, through its project manager will annually examine project progress with the contractor and the UCS staff. These evaluations will be for the purpose of determining the following:

1. The projected volume of products, by product, compared to products actually marketed by UCS.
2. Changes in UCS member-producers' real net farm income. This will be accomplished by "tracking" a sample of members' income changes from 1978 to project completion.
3. As soon after Grant Authorization as practical, the technical services contractor, in collaboration with UCS will develop a sample survey to determine nonmember income in the pilot project area so that member income can be compared to nonmember income on an annual basis.
4. The effectiveness of the revolving fund as indicated by number of loans granted, utilization of funds, loan repayment, etc.
5. Changes in financial ratios from 1978 to project completion.

VIII. Conditions, Covenants and Negotiating Status

The conditions precedent to disbursement and the covenants of the Grant Agreement will incorporate the substance of the following:

A. Conditions Precedent^{1/}

1. Conditions Precedent to Initial Disbursement

Prior to any disbursement or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee shall, except as the parties may agree otherwise in writing, furnish to AID in form and substance satisfactory to AID:

- *a. A statement of the names and titles with specimen signatures of the persons who will act as the representatives of the Grantee;
- *b. Evidence of establishment of the United Cooperative Society;
- *c. Evidence of the election of the Board of Directors of UCS and a functional statement of the Board;
- d. Such other documentation as AID may require.

2. Conditions Precedent to Disbursement for Technical Services

Prior to any disbursement or to the issuance by AID of documentation pursuant to which disbursement will be made for technical services, the Grantee shall, except as the parties may agree otherwise in writing, furnish to AID in form and substance satisfactory to AID:

- *a. Evidence of an executed contract with a contractor acceptable to AID for the technical advisory services for the Project;
- b. Such other documentation as AID may require.

3. Conditions Precedent to Disbursement for Revolving Loan Fund

Prior to any disbursement or to the issuance by AID of documentation pursuant to which disbursement will be made for revolving loan funds, the Grantee shall, in writing, furnish to AID in form and substance satisfactory to AID:

^{1/} Those conditions precedent and covenants which are marked with an asterisk will be included in the PAAF, Part 2.

- *a. Grantee shall establish a cooperative Revolving Loan Fund in the Cairo Bank for funds to be relent exclusively to United Cooperative Society;
- *b. United Cooperative Society shall furnish a statement as to the general lending policies of the fund, the terms and conditions upon which subloans will be made;
- *c. United Cooperative Society shall furnish a plan for obtaining the participation of an increasing number of lower income farmers in this portion of the Project;
- d. Such other documentation as AID may require.

B. Covenants

Special Covenants

In addition to the standard covenants which will be included in the Grant Agreement, USAID will include in the Grant Agreement the standard Special Covenant as set forth in Handbook 3 with regard to Project Evaluation,

Additionally, USAID will include the following Special Covenants, in the Grant Agreement:

*1. Execution of the Project

The Grantee shall cause the Project to be carried out in conformance with all the plans, specifications and with all modifications therein approved by AID pursuant to the Agreement, including the provision, on a timely basis, of necessary local currency and in kind support as specified in the Agreement and its Annexes.

*2. The Grantee shall submit for AID approval prior to implementation, issuance or execution, all plans, schedules, contracts, and all modifications to these documents.

*3. The Grantee shall diligently seek to obtain on a timely basis sufficient funds, from sources acceptable to AID, to construct the facilities and purchase the commodities necessary to effectively market the production of farmer-members of UCS.

*4. The Grantee agrees to exercise its best efforts to institute appropriate fertilizer distribution policies in the pilot area in order to assist the Project in reaching the objective of stimulating production of fruit and vegetables.

*5. Within 90 days of the arrival of the technical services contractor in Egypt, the UCS and the contractor shall establish a time-phased implementation plan for the conduct of the Project activities.

No other Special Covenants are deemed necessary, as the Conditions Precedent to Disbursement once satisfied, will furnish all of the necessary assurances.

PRIORITY

UNCLASSIFIED

STATE 49204

-2- 0095

VV 800450

ANNEX I

BEST AVAILABLE COPY

PP RUFHVG

DE RUEFC #0224 2677632

ENR HHCUN 2ZF

P 112454Z MAR 79

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO PRIORITY 5044

BT

UNCLAS STATE 249204

71 MAR 79
TOP: 2845
CN: 12556
ACTION: AID 6
INFO: AME DCM
E/C CHRON LV

AIDAC

F.O. 12065 N/A

TAGS:

AGR

PRG

HSD/LEG

WDP/KCN

ACTION TAKEN *Do*

DATE *3/5*

MAN *NAN*

Com

SUBJECT: COOPERATIVE MARKETING PID

1. NEAC APPROVED PP 1/8/79. MISSION WILL BE AUTHORIZED TO DEVELOP AND APPROVE PP IN ACCORDANCE WITH DELEGATIONS ISSUED PER AIDTO CIRC A-43 UPON RECEIPT OF INFORMATION REGARDING THIS PROJECT REQUESTED IN THAT MESSAGE FOR PIDS. I.E. WHAT THE PROJECT DEVELOPMENT PROCESS WILL BE. COMPOSITION OF THE MISSION PROJECT DEVELOPMENT COMMITTEE AND NEAC EQUIVALENT. IF PROJECT SHOULD EXCEED 5 MILLION LEVEL IT IS EXPECTED ADDITIONAL DELEGATION WOULD BE ISSUED IF REQUESTED SO MISSION CAN APPROVE THE PROJECT. MISSION PROCESSES FOR PROJECT IMPLEMENTATION ARE SUBJECT OF SEPARATE MESSAGE.

2. AID/W AGREES WITH THE CONCEPT OF USING CIUSA TO FURTHER DEVELOP THE OVERALL PROJECT WHICH IS SUBJECT TO NECESSARY REVIEW AND APPROVAL BY THE NON-COMPETITIVE REVIEW BOARD AND BELIEVE THAT CIUSA'S PROPOSED OPERATIONAL PROGRAM GRANT IS A VIABLE MEANS OF IMPLEMENTING THAT PORTION OF THE PROJECT. SINCE THIS PROJECT WILL BE UNDER A BILATERAL GRANT AGREEMENT AID/W IS ATTEMPTING TO RESOLVE THE ISSUE THAT GRANTS, SUCH AS CPGS, ARE NOT TO BE USED TO DISCHARGE AID'S RESPONSIBILITIES UNDER INTERNATIONAL AGREEMENTS BECAUSE OF AID'S LACK OF ABILITY AS A GRANTOR TO ENFORCE PERFORMANCE BY A GRANTEE (SEE HANDBOOK 13, CHAPT. 1 PART 1B 2A).

3. GIVEN LEGISLATIVE PROHIBITION ON PROVIDING EXPORTS INJURIOUS TO U.S. PRODUCTS THE PP WILL NEED TO CLARIFY VOLUME AND DIRECTION OF CITRUS LIKELY TO BE EXPORTED AS A RESULT OF THIS PROJECT. IT IS OUR UNDERSTANDING FROM NEACREVIEW THAT THE EFFECT ON U.S. CITRUS IS LIKELY TO BE NON-EXISTENT OR MINIMAL, BUT THE ISSUE NEEDS TO BE ADDRESSED IN THE PP.

4. NEAC PERCEIVES A FAIRLY HEAVY BURDEN FOR PROJECT FINAL DESIGN. WHILE ACCEPTING THE BASIC PROPOSITION OF LARGE PHYSICAL MARKETING LOSSES, MARGINS WHICH SEEM UNNECESSARILY HIGH AND QUESTIONABLE WILLINGNESS OF COOPERATIVE MEMBERS TO BORROW FOR WORKING AND FIXED CAPITAL. CONSIDERABLE WORK MAY BE REQUIRED TO IDENTIFY

PRIORITY

UNCLASSIFIED

STATE 49204

PRIORITY

UNCLASSIFIED

STATE 49274

-3-

THE PRECISE NATURE OF THE MARKETING PROBLEMS IN TERMS OF COSTS AND RETURNS OF REDUCING LOSSES AND CARRYING OUT MARKETING OPERATIONS IN A MANNER WHICH WILL GENERATE SUFFICIENT NET REVENUE TO AMORTIZE LOANS. EXPERIENCE IN THESE TYPES OF PROJECTS INDICATE A CRITICAL NECESSITY TO OBTAIN FARMERS' COMMITMENT OF THEIR TOTAL CROP TO THE COOPERATIVES AND GENERALLY TO SUBMIT TO PRODUCTION AND MARKETING DISCIPLINE FOR INTEGRATION AS UNDER NORMAL AGRIBUSINESS APPROACHES. CONSIDERATION OF EXISTING MARKETING CHANNELS, BOTH AS A COMPETITOR OR FOR POSSIBLE USE, WILL NEED TO BE ADDRESSED. HOWEVER, IF A PROJECT OF THIS SORT IS SUCCESSFUL IT HOLDS CONSIDERABLE HOPE FOR MEETING PRODUCTION AND EMPLOYMENT GOALS FOR AN IMPORTANT SUBSECTOR OF THE AGRICULTURAL SOCIETY. WE DO NOT HAVE ANY PARTICULAR TECHNICAL EXPERTISE TO LEND TO PROJECT DECISION BUT WE SHALL WORK WITH CLUSA OR OTHERS TO ASSIST WHEN WE CAN.

5. ADDITIONAL CONCERNS EXPRESSED WERE (A) THE NEED FOR THE PROJECT TO ATTEMPT TO INVOLVE WOMEN IN A MORE SIGNIFICANT WAY THAN INDICATED (B) GIVEN THE HIGH INVESTMENT PER BENEFICIARY, CLEARLY DEFINING IN THE PP THE TENANT AS WELL AS LANDOWNER BENEFICIARIES AND STRUCTURING THE EVALUATION PROCESS TO BE ABLE TO MEASURE IMPROVEMENT IN ACCESS AND PARTICIPATION OF SMALL AND TENANT FARMERS IN THE

PROJECT, (C) STRUCTURING THE LOCAL CURRENCY LOAN FUND SO ROLL-OVER FUNDS CAN CONTRIBUTE TO DEVELOPMENT OF ADDITIONAL VIABLE COOPERATIVE EFFORTS, OR OTHER USES TO BE SPECIFIED IN THE PP, AND (D) PHASING OF CAPITAL COMPONENTS OF THE PROJECT SO THAT OVERALL FINANCIAL BURDEN MAY BE LOWERED

AND COOPERATIVES ABLE TO GAIN EASIER ACCESS TO CAPITAL. VANCE

BT

#9204

NNNN

PRIORITY

UNCLASSIFIED

STATE 49274

ANNEX 1

UNCLASSIFIED

STATE 162557

NY 230000
NY RUFEPG
DE RUFHC #2627 1742222
JAN UUUUU ZZH
R 231644Z JUN 79
FM SECSTATE WASHDC
TO AMEMBASSY CAIRO 1269
BT
UNCLAS STATE 162557

CON

24 JUN 79
TOP: 2226
CN: 39784
ACTION: AI
INFO: —
AMB DCM FC
CHRON 105F

ACTION TO	ACT	LEG
6-26	cable	DATE 6/27
ACTION TAKEN		
NAH 13135	INITIALS	ben

AIDAC

E.O. 12065 N/A

TAGS:

SUBJECT: COOPERATIVE MARKETING 0095

REF: (A) CAIRO 11676, (B) STATE 049004, (C) AIDTC CIR. A-43

1. BASED ON INFORMATION REFFTEL A, AID W HERBY AGREES TO MISSION AUTHORIZATION OF SUBJECT PROJECT.

2. CURRENT LEVELS FOR PROJECT INDICATE CONGRESSIONAL NOTIFICATION REQUIRED. PLEASE PROVIDE FINAL DRAFT PP AND DATA FOR CN. CHRISTOPHER

BT
2557

NNNN

UNCLASSIFIED

STATE 162557

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM

PAGE 31 STATE 187368
ORIGIN AID-18

8187

INFO OCT-00 NEA-07 /025 R

DRAFTED BY AID/NE/TECH/AD: BJAOWIN: AFN
APPROVED BY AID/OAA/NE: ADWHITE
NE/TECH: OWEINBERG
GC/NE: MULLEN
NE/DP: PRIPSELLAR
NE/SI: EUSPERLING
NE/TECH/AD: ROLSON
DESIRED DISTRIBUTION

13 ACTION NE CHRON 1 3 INFO GC GCFLD 18P
-----103091 200855Z /23

P 192325Z JUL 79
FM SECSTATE WASHDC
TO AMEMBASSY CAIRO PRIORITY

UNCLAS STATE 187368

AIDAC

E. O. 12065 N/A

TAGS:

SUBJECT: COOPERATIVE MARKETING PROJECT 263-0095

REF: (A) CAIRO 14231 (B) STATE 162557

1. REF B AGREES TO MISSION AUTHORIZATION OF SUBJECT PROJECT. DRAFT PP RECEIVED AND CONGRESSIONAL NOTIFICATION BEING PROCESSED.
2. WILL CABLE MISSION AS SOON AS NOTIFICATION WAITING PERIOD EXPIRES AT WHICH POINT MISSION AUTHORIZED FIRST TO ISSUE PROJECT GRANT AGREEMENT AND THEN OPG TO CLUSA, IF CONOITIONS IN HANDBOOK 13 CHAPTER 1 PARA 18 2A EXIST.
3. PRENTICE WILL BE OU OF U. S. BUT EDWARDS CAN MEET F. OWEN, SANDBACH AND REICHERT OF CLUSA WHEN IN WASH. VANCE

UNCLASSIFIED

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM
7370

PAGE 01 STATE 213351
ORIGIN AID-25

INFO OCT-00 /025 R

DRAFTED BY NE/TECH/AD: B JADWIN: AFM

APPROVED BY NE/TECH/AD: K SHERPER

NE/EI/E: J SPERLING (PHONE)

NE/DP: I ALLEN

DESIRED DISTRIBUTION

5M ACTION NE INFO CHRON 1 3 8 OL DS/AGR AA/DS 21P

-----045268 161033Z /34

P 152353Z AUG 79

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO PRIORITY

UNCLAS STATE 213851

AIDAC

E.O. 12065: N/A

TAGS:

SUBJECT: COOPERATIVE MARKETING 263-0095

1. CONGRESSIONAL NOTIFICATION OF DOLS. 5,000,000 WENT FOR-
WARD AUGUST 1. YOU MAY NOW INCUR OBLIGATION.

2. PLEASE ADVISE WHEN GRANT AGREEMENT SIGNED WITH GOE AND
FURNISH US INFORMATION COPIES OF DOCUMENTATION. VANCE

UNCLASSIFIED

49

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM
7370

PAGE 01 STATE 213351
ORIGIN AID-25

INFO OCT-00 0825 R

DRAFTED BY NE/TECH/AD: B JADWIN: AFN

APPROVED BY NE/TECH/AD: K SHERPER

NE/TE/ E. J. SPERLING (PHONE)

NE/DP: I ALLEN

DESIRED DISTRIBUTION

5M ACTION NE INFO CHRON 1 3 8 OL DS/AGR AA/DS 21P

-----045268 161033Z /34

P 152353Z AUG 79

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO PRIORITY

UNCLAS STATE 213851

AIDAC

E. O. 12065: N/A

TAGS:

SUBJECT: COOPERATIVE MARKETING 263-0095

1. CONGRESSIONAL NOTIFICATION OF DOLS. 5,000,000 WENT FOR-
WARD AUGUST 1. YOU MAY NOW INCUR OBLIGATION.

2. PLEASE ADVISE WHEN GRANT AGREEMENT SIGNED WITH GOE AND
FURNISH US INFORMATION COPIES OF DOCUMENTATION. VANCE

UNCLASSIFIED

Annex I (A)

Citrus Exportation

The legislative prohibition on providing export assistance for crops injurious to U.S. products (namely citrus) will not be violated in this project, see the following:

1. This pilot project is directed primarily toward domestic market improvement.
2. Fruit growers in general will receive no more than 10 percent of the total production credit made available under the loan/grant (citrus growers even less).
3. All technical assistance and training will be directed toward crops other than citrus.
4. The physical infrastructure to be provided under the IBRD loan will be for processing produce other than citrus.
5. Finally, projected citrus production vs. projected domestic demand indicates Egypt will have difficulty meeting domestic needs in short run.

The forgoing statements reflect the precautions which the project design team took to insure that this project would not fund any activity related to citrus production or marketing. It is the Mission's belief that the effect of this project on U.S. citrus will be non-existent. However, as an added safeguard the Mission intends to monitor this aspect on a continuing basis.

ANNEX II

LOGICAL FRAMEWORK

Project title and Number: Cooperative Marketing 263-0095		Total A.I.D. Funding \$ 4,950,000	
Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>Goal: To raise small and medium size farmer's income by reducing costs of perishable crops to consumers.</p>	<p>Measures of Goal Achievements: -Real Income to the Producer-member will have increased. -Quality and quantity of domestic F & V will have increased.</p>	<p>Farm income and price data and quality control data.</p>	<p>Assumptions for Achieving Goal Targets: GOE will continue to emphasize fruit and vegetable production.</p>
<p>Project Purpose: Increase the efficiency and effectiveness of farmers' agricultural marketing cooperatives and expand their outreach to small and medium size farmers. Production increase of 30%.</p>	<p>-UCS cooperative will be efficiently operating in four project governorates i.e. Alexandria, Beheira, Gharbia and Menufia. -UCS Membership increase. -Reduced losses of F & V between producer and consumer.</p>	<p>Time series information stating the number of participating members. Volume of fruit and vegetables handled. Financial statement of cooperatives and a financial analysis.</p>	<p>Trained participants will return to positions in critical areas. GOE maintains commitment to project.</p>
<p>Outputs: 1. Train cooperative marketing specialists. 2. An efficient marketing system developed and in place. 3. An effective cooperative administrative unit in operation. 4. Improved quality control technology. 5. Increased amount of loanable funds available in UCS system.</p>	<p>Magnitude of Outputs: -48 trained staff members. - 4 handling and processing facilities and Cairo market in operation. -facility and transportation equipment in place (see detailed description). -trained staff. -grades and standards understood and used for buying/selling. -an estimated additional loans made to producer-members.</p>	<p>UCS records Project evaluation Professional judgement</p>	<p>Trainees assigned to positions trained for. GOE maintains commitment to project, i.e., no serious detrimental F & V price regulation change.</p>
<p>Inputs: <u>USAID:</u> Technical Assistance Marketing Advisor Sales Consultant Operations technician Consultants Training Long-term Short-term <u>IBRD</u> Construction Commodities</p>	<p>See detailed budget.</p>	<p>USAID Records UCS Records IBRD Records</p>	<p>AID, IBRD and UCS provide goods and services on time as required.</p>

600142 ANNEX III

BEST AVAILABLE COPY

ARAB REPUBLIC OF EGYPT

MINISTRY OF AGRICULTURE

Vice MINISTER'S OFFICE

Cairo, June 17, 1979

Mr. Donald S. Brown
Agency for International Development
American Embassy
Cairo, Egypt

ACTION TO	ACR	DRK/D
ACTION TAKEN	67m	DATE 7/10
INITIALS	L	67m

Dear Mr. Brown:

The Government of the Arab Republic of Egypt is desirous of taking additional steps to improve cooperative marketing in Egypt, specifically providing assistance to the United Cooperative Society.

Based upon the findings of CIUSA and the recommendations of the joint AID-ROE feasibility study team, it has been decided to move ahead on a cooperative marketing program to improve the marketing of fruits and vegetables. We would hope to accomplish this by upgrading the facilities and personnel such that cooperative marketing functions can be performed more efficiently and effectively.

We hereby request AID assistance in our efforts to improve the marketing system for fruits and vegetables.

Major elements of the proposed AID assistance will be (a) development of management expertise, (b) creation of a revolving loan fund for increased production of fruits and vegetables and (c) providing technical and advanced training for personnel involved in the project.

Subject to the favorable consideration of this request we would like to initiate this project as soon as possible.

Sincerely yours,

S. H. Nagras
Said Nagras

Vice Minister of Agriculture



Annex IV

Major Constraints to Production and Marketing Fruits and Vegetables

The Project will focus on two problem areas, they are, (1) production and (2) marketing. The production constraint will be addressed by the AID credit component. The credit fund will provide the UCS producer-member with sufficient funds to purchase the needed production inputs, primarily fertilizer. This approach is designed to alleviate the constraint that exists at the farm level.

As fruit and vegetable production increases an increasing pressure will be placed upon the primitive marketing system, thus exacerbating an already serious situation.

The major fruit and vegetable marketing constraints are summarized below:

1. There is no pre-cooling to remove field heat prior to shipment. The practice of cutting leafy vegetables and melons in the heat of the day and allowing them to stand in the field or along the roadside until picked up for shipment to market is a basic cause of existing heavy losses.
2. Failure to select and pack by grades and standards prior to shipment makes it difficult to relate market news to shipping or buying decisions. Each sack or crate must be inspected to determine its average value--an operation that takes time, causes damage and makes it difficult to relate to other sales transactions for price comparison purposes.
3. Failure to select for quality and grade at the producer level is price depressing to the producer--since the sharp discounts made for field-run produce reduces the farm prices received. Unsaleable products reaching the market incur unnecessary transportation and handling costs which then must be borne by the saleable products.
4. Containers presently in use not only fail to adequately protect the product in shipment, but often actually damage the produce. Inadequate packing methods add to the losses.
5. Little or no refrigeration facilities are available to the small farmer, small middle men, or retailers.
6. Distribution is effected primarily through utilization of animal drawn carts. This results in slow product movement undesirable temperature fluctuations, inefficient size lots, damaged product due to rough handling, and perhaps most serious of all, contaminated produce.

7. Excessive losses at the retail level. The uneven quality causes consumers to "pick over" the produce, damaging it. Facilities are not adequate for handling highly perishable products and even at the retail level there is a lack of adequate cold holding storage and produce-handling expertise
8. Lack of up-to-date, sanitary, cleaning, processing and packing facilities.
9. Producer delivery of field-run, uncured and immature products, affecting both the appearance and keeping quality.
10. Most produce moves through two or more wholesale hands on the way to the retailer. Because of the heavy losses due to improper handling and storage the retail price can be 2 to 3 times the price paid the producer. Data in Table show that the lowest marginal increase from farmgate to retailer is 23 percent for potatoes and the highest is 266 percent for artichokes and 250 percent for pears.

EGYPT

NILE DELTA

ALEXANDRIA



ALEX.

Rachid

Kafr El Dawar

Damanhur

BEHEIRA

GHARBIA

Kafr El Zaiyat

Tanta

Zifta

Desert Road

MENUFIA

Shibin El Kom

Zagazig

Ismailia

Port Said

The Cooperative Marketing System

Legend



Packing Sheds



Terminal Market



Shipment Center



Governorate Boundaries

Ashmun

Agricultural Road

CAIRO



Suez



Annex VI

Egypt - Cooperative Marketing Project

TRAINING PROGRAM

- Fiscal Years -

Classification	M/M	1980				1981				1982			
		Quarters				Quarters				Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4
<u>Academic - U.S.:</u>													
Marketing (3 participants)	36		-----	-----			-----	-----					
Business Administration (3 participants)	36		-----	-----			-----	-----					
<u>Technical - In-Country:</u>													
Packing Shed Operations (12 participants)	24		-----	-----									
Refrigerated Storage (6 participants)	18			-----	-----								
Truck Scheduling & Maintenance (6 participants)				-----	-----								
<u>Special - U.S.:</u>													
Export Market (12 participants)	24	-----	-----	-----									
Wholesale Markets Inspection (6 participants)	15					-----	-----	-----					
(Total participants - 48)													
	171	6	30	60	24	15	24	12					

Annex VI

Egypt - COOPERATIVE MARKETING PROJECT

Schedule of Technical Assistance

- Fiscal Years -

Classification	M/M	1980 Quarters				1981 Quarters				1982 Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4
Long-Term:													
Marketing Advisor	36												
Sales Consultant	24												
Operations Specialist	24												
Short-Term:													
Grades & Standards Technician	12												
Maintenance Specialist	12												
Accounting & Financial Advisor	12												
Total	120	6	6	12	12	12	12	15	15	9	9	6	6

Annex VI

Project Job Descriptions
for the Technical Advisors

1. Marketing Advisor - To provide the leadership for the institutional development technicians and to initiate the implementation plan.
2. Accounting and Finance Specialist - To design and develop the financial reporting system for the UCS.
3. Sales Consultant - Develop the sales strategy for the domestic and export markets.
4. Operations Technician - To develop proper techniques for handling crops before and after harvesting.
5. Grades and Standards Specialist - For the development of grades and standards classifications and maintenance of quality controls of horticultural crops.
6. Maintenance Technician - For the design of preventive maintenance schedules for all machinery and equipment and maintenance manuals.

Summary of work plans for the technical team follows:

1. Marketing Advisor - 3 years

Team Leader for the Development and implementation phase of the project. The advisor shall have a broad experience in cooperative marketing of agricultural crops. His scope of work will include the following activities:

- a. Assist the cooperatives and the UCS in the preparation of a marketing strategy to channel horticultural crops into domestic and export markets.

- b. Guide the UCS Board of Directors in defining the duties and responsibilities of the Board in the formulation of general and marketing policies; the selection and compensation of managerial personnel; the delegation of operational authority; and the evaluation of results.
- c. Assist the cooperatives and the UCS in the documentation of duties and responsibilities of the managerial staff for the effective execution of policies established by the Board of Directors.
- d. Coordinate the activities of the technical assistance team with the Board of Directors and the Cooperative Management Staff. Assist in the selection of counterparts for the T.A. team.
- e. In addition to the day-to-day joint activities, prepare and present to the Board of Directors and key managerial staff a monthly progress report of the accomplishments and problems of implementing the project.

2. Sales Consultant - 2 years

The Sales Consultant shall have experience in the operations of a viable sales organization with special emphasis in export markets for horticultural crops. His principal responsibilities shall include the following:

- a. Assist the UCS in the organization of a Sales Department that will effectively distribute members' production into the commercial channels at optimum returns to the farmer.

- b. Seek out new markets, domestic and foreign, for cooperative produce.
- c. Assist the UCS in the penetration of the existing export markets comprising the Eastern and Western European countries, as well as the Arab countries with top quality horticultural products.
- d. Guide management in the negotiations and contractual arrangements for foreign sales.

3. Operations Technician - 2 years

The Operations Technician shall have experience in the utilization of production inputs, fertilizers, hybrid seeds and planting patterns. He shall be familiar with post-harvest care and processing of fresh fruits and vegetables. Principal duties of the technician follow :

- a. Assist farmers and management in the proper utilization of new hybrid seeds for maximum yields and quality of horticultural crops.
- b. Advise farmers on optimum harvest time to assure best maturity demands of consumer markets.
- c. Assist the processing center management in the organization of the field harvest, transportation, and processing of horticultural crops.
- d. Train processing center personnel in the proper utilization of receiving, cleaning/washing, packaging, pre-cooling and cold storage equipment and facilities.

4.	<u>Short-term Consultants</u>	<u>Country</u>	<u>M/M</u>
		Various	36

Purpose: To provide additional expertise in the fields of:

- a. Grades & Standards - To assure a uniform quality of horticultural crops for domestic and export markets according to the specifications of each distribution channel.
- b. Maintenance - To provide a preventative schedule for the upkeep of machinery, equipment, and property to insure peak performance and long life of fixed assets.
- c. Accounting & Finance - For the establishment of a uniform accounting system and to expedite financial and operational information for timely administrative decisions.

ANNEX VII

The United Cooperative Society (UCS)^{1/}

The Members and Board of Directors of the four base cooperatives voted to unite and form a central cooperative marketing society to market members' produce, i.e., fruits and vegetables. This action resulted in the legal formation of the UCS. The following information has been presented to give the reader a more complete picture of the UCS.

1. Organization and Operation

UCS was organized in 1978 under the Egyptian statute governing cooperatives. The Board of Directors consists of 12 members. Number of members entitled to vote total approximately 10,000, all of which are producers of fruits and vegetables. Each member is the holder of one fully paid share of common stock valued at L.E. 15. UCS's personnel consists of 106 full-time employees - total annual salaries for these employees during 1978 was L.E. 42,660 plus other benefits, see table VII (2). Average salary per employee per year was L.E. 402--this figures to be L.E. 34 per month. Other benefits amounted to L.E. 75,518, or L.E. 712 per year per employee, or L.E. 60 per employee per month. Total compensation per month per full time employee was L.E. 94. Total labor costs to UCS during 1978 was L.E. 118,178.

The assets and estimated market value of those assets to UCS are shown in the following table:

Table VII (1) UCS Assets and Market Value (L.E.)

Assets	Alexandria	Beheira	Gharbia	Menufia	Total
Land area value L.E.	7061 M ² 1,114,859	none none	3 feds. 90,000	7250 M 700,000	1,904,859
Building & Cold Stores	222,000	none	235,000	80,000	537,000
Equipment	none	6,000	6,000	25,000	37,000
Inventory	4,132	62,120	11,000	16,488	93,740
Total Value	1,340,991	68,120	342,000	821,488	2,572,599

^{1/} The material presented in this section is based on reports prepared by the project design team. Data shown for UCS Represents base cooperatives combined information.

Table VII (2) Personnel, utilization, compensation and other benefits
for UCS for 1978

	Alexandria	Beheira	Charbia	Menufia	Total
Administration	4	6	4	3	17
Accounts	11	8	5	6	31
Marketing	12	4	3	7	26
Clerk	2	1	2	1	6
Others	10	5	6	5	26
Total	39	25	20	22	106
Annual Salaries LE	14,550	9,864	7,896	10,350	42,660
Supplement to the salaries	Equivalent two months salary per annum' L.E. 2,425	30% of the salaries L.E. 2,960	40% of the salaries L.E. 3,160	25% of the salaries L.E. 2,590	11,135
Rewards (irregular)	L.E. 718	1,688	2,012	1,113	5,531
Estimated by the Board					
Annual Bonus	35% of the net profit for the Sales Managers = 32,227 5% for the rest 2,880 Total LE 35,107	10% of the net profit for all the employees L.E. 8,039	10% of the net profit for all the employees L.E. 3,158	10% of the net profit for all the employees L.E. 1,981	48,285
Other Benefits					
1. Social Insurance	3,110	11,604	2,181	2,867	9,762
2. Health Insurance	518	none	none	281	799

The following is a summarization of the present contractual arrangements the four base cooperatives have with producers.

a. Beheira, Gharbia and Menufia Cooperatives contract with farmers who receive potato seeds. Farmers agree to sell their crop to the cooperatives during a specified period. The prices are fixed weekly by the High Committee for potatoes which is of representatives of cooperatives, exporters, Ministries of Agriculture, Supply, and Foreign Trade. In the same time these 3 cooperatives make contracts with exporters; governmental companies or private exporters, to provide them with certain quantities during March and April.

b. Alexandria Cooperative offers seasonal production loans to its members and contracts with them to provide their fruit and vegetable production to be sold in the wholesale market of production which belongs to the cooperative. The only condition is that the value of the farmer's production provided to the cooperative must be at least twice the loan offered to him.

c. Beheira cooperative contracts orange producers to deliver their production to Wadi Company, a governmental company, through Beheira cooperative. Wadi company determines the prices.

Annex table 2 shows 1977 production costs, yields, farm income, and marketing margin data for selected horticultural crops. Estimated marketing margins per ton for primary buyer/wholesaler ranges from L.E. 1.5 per hundred units of artichokes to L.E. 100 per ton for pears. For both items the marketing margin is a 100 percent increase.

Estimated marketing margins per ton for retailer ranges from L.E. 1 for artichokes to L.E. 50 for pears. The percentage increase is 33.3 percent for artichokes and 25 percent for pears. The lowest marginal increase from farmgate to retailer is 23 percent for potatoes and the highest is 266 percent for artichokes and 250 percent for pears. The margins calculated in Annex table 2 are representative of the industry.

2. Products Handled and Services Offered

The following products were handled by the four base cooperatives during 1978.

Menufia

Vegetables Potatoes, Tomatoes, French beans,
Carrots, Cucumbers, Peas, Bellpepper,
Squash, Cabbage, Cauliflower,
Watermelons, Blackeye beans, Eggplant

Fruits Oranges, Grapes, Pears, Plums, Bananas

Gharbia

Vegetables Potatoes, Bellpepper, Tomatoes,
French beans, Carrots, Peas, Cucumbers

Fruits Citrus, Pears

Beheira

Vegetables Potatoes, Tomatoes, French beans,
Artichoke, Soybeans, Blackeye beans,
Watermelons

Fruits Citrus, Date palm, Pears, Guava, Grapes

Alexandria

Vegetables Tomatoes, Potatoes, Squash, Cabbage,
Eggplant, Cauliflower, French beans

Fruits Figs, Grapes, Guava, Olives, Citrus,
Pears

The services provided by the farm base cooperatives during 1978 were as follows:

- a. Input supplies - Vegetable seeds, insecticides, sacks miscellaneous equipment and other supplies. The four cooperatives finances producers cost of seed and insecticides until crop is harvested.
- b. Processing, storage, etc. - Storage is supplied for vegetable seed including potatoes limited storage for potatoes and some other vegetables until sold. Some processing facilities are provided for vegetables and fruit.
- c. Product sales - UCS will determine conformance to standards and grades, operation of collection stations, transportation from collection station to processing centers and to both domestic and export markets.

Table VII(3) shows plantings and production of selected horticultural crops for the project area for 1977. Production of these crops is quite substantial indicating that the UCS will have an adequate supply source.

The UCS will concentrate its resources on crops that offer the best potential in both marketing and production terms. Horticultural crops selected are:

Potatoes	Carrots
Tomatoes	Peas
Cucumbers	Artichokes
French Beans	Oranges
Bell Peppers	Pears

By specializing in a limited number of crops for which UCA has a genuine comparative advantage it will have a competitive edge at times when markets are over-supplied and prices low. Likewise, UCS will be better prepared to cope with climatic and biological problems by having the specialized resources and skills available to combat them. Additionally, specialized facilities designed for particular crops are more technically efficient and economically effective than equipment designed for multi-crop use. Lastly, in Egypt, dealers specialize in certain crops and operate in a fairly large agricultural area using local buyers, while cooperatives handle all local produce. Thus, a dealer for a given product in a certain area can gain marketing control of that product, to which the cooperatives do not have access.

Table VII(4) projects UCS sales from 1980 through 1984 for the horticultural crops that will be marketed. Projections are also given for farmgate costs of sales, gross margins to be generated and gross margin as a percent of sales.

Table VII(5) shows the projected yield increases that will result from project activities. The project design team has calculated that there will be an across the board increase of 30 percent. An integral part of production increase is reduction in waste and spoilage. The project has been designed to reduce waste/spoilage by approximately 25 percent, (this is felt to be a very conservative estimate).

Table VII(6) shows present membership and projections through 1990. UCS membership for May 1979 was 8,700. The UCS has, since May, been conducting a very intensive membership of approximately 15 percent or 1,300 new members. Thus, the project should start (FY 1980) with a minimum 10,000 members. The project design team calculates that over 25,000 small fruit and vegetable farmers will hold membership in UCS by 1990.

**Table VII(3) Plantings & Production of Selected Horticultural Crops in Base UCS Governorates
(In Feddans & Metric Tons)**

1977

Product	Alexandria		Bchaira		Gharbia		Menufia		Totals	Feddans	Average	
	Feddans	Tons	Feddans	Tons	Feddans	Tons	Feddans	Tons				Feddans
Vegetables												
Potatoes	5122	29546	41559	252750	22313	167025	33259	211538	102253	661667	39.25	6.47
Tomatoes	9879	63961	42743	318769	8311	56149	7998	62520	68931	501399		7.27
Cucumbers	714	4226	5420	35779	2669	17328	2297	13669	11109	71002		6.39
French beans	5614	21965	1216	5367	80	237	3565	10355	10475	37924		3.62
Bell Peppers	532	3038	4531	25492	603	4304	438	2674	6104	35508	39.88	5.82
Carrots	674	6543	2010	11610	116	794	129	1308	2929	20255		6.92
Peas	75	300	1025	2030	84	246	1356	4081	3340	6657		1.99
Artichokes 35 # @ fed	377	13195*	613	21455*					990	34650*		
Sub-total	22987	129579	99925	651805	34170	246883	49042	306145	206130	1334412	79.13	
Fruits												
Oranges	734	7187	27309	171818	8862	65709	13271	74707	50176	319421	19.26	6.37
Pears	183	1622	3514	21466	400	2360	98	523	4195	25971	1.61	6.19
Sub-total	917	8809	30823	193284	9262	68069	13369	75230	54371	345392	20.87	
Total Vegetables & Fruits	23904	138388	130748	845089	43438	314952	62411	381375	260501	1679804	1001	
*Units = 35,000 artichokes												

Table VII(4)

UCS PROJECTED MARKETINGS (Sales)

Description	1980		1981		1982		1983		1984	
	Tons	Amount	Tons	Amount	Tons	Amount	Tons	Amount	Tons	Amount
Sales										
Potatoes	20,262	1,519,650	25,131	1,935,087	30,785	2,432,015	37,335	2,986,800	44,904	3,592,320
Vegetables	65,346	3,219,597	81,050	4,317,533	99,286	5,686,109	120,409	7,495,460	144,819	9,014,982
Fruit	6,042	525,320	7,899	755,144	9,180	941,868	11,146	1,203,768	13,390	1,446,120
Total Sales	91,650	5,274,567	114,080	7,007,764	139,251	9,059,992	168,890	11,686,028	203,113	14,053,422
Farmgate Cost of Sales										
Potatoes		1,479,109		1,834,557		2,247,333		2,725,454		3,277,977
Vegetables		2,958,218		3,669,115		4,494,666		5,450,907		6,555,955
Fruit		493,036		611,519		749,111		908,484		1,092,659
Total Farmgate Cost of Sales		4,930,363		6,115,191		7,491,110		9,084,845		10,926,591
Gross Margin		344,204		892,573		1,568,882		2,601,183		3,126,831
Gross Margin as a Percent of Sales		6.53		12.74		17.31		22.25		22.25

Table VII(5) - Egypt, Total Plantings, Production and Yields for Selected Vegetable Crops
for Base Governorates, 1977,
with Projected Yield Increases for UCS members, 1980-84

Product	1977-- Total Plantings, Production & Yield - Base Governorates			1980	1981	1982	1983	1984	Percentage Increase 1977-1984
	Feddans	Tons	Yield ^{1/}						
Potatoes	102,253	661,667	6.47	7.12	7.44	7.76	8.09	8.41	29.9
Tomatoes	68,931	501,399	7.27	8.00	8.36	8.72	9.09	9.45	30.0
Cucumbers	11,108	71,002	6.39	7.03	7.35	7.67	7.99	8.31	30.0
French Beans	10,475	37,924	3.62	3.98	4.16	4.34	4.53	4.70	29.8
Bell Peppers	6,104	35,508	5.82	6.40	6.69	6.88	7.28	7.57	30.0
Carrots	2,929	20,255	6.92	7.61	7.95	8.30	8.65	9.00	30.0
Peas	3,340	6,657	1.99	2.119	2.29	2.39	2.49	2.59	30.0
Artichokes	990	34,650*	*	*	*	*	*	38.85*	30.0
Oranges	50,176	319,421	6.37	--	--	--	--	--	-
Pears	4,195	25,971	6.14	--	--	--	--	8.05	31.1

^{1/} Yield in tons per feddan.

* Units = 1 unit = 35,000 artichokes.

Note: The 30 percent projected yield increases will result from utilization of the credit fund, technical assistance and training. For further information regarding plantings, production, and yield analysis see feasibility study report by Herman G. Obregon, 6/79. The projected yield increases will be used as an evaluation measure.

Table VII(6)UCS Projected Membership & Marketings

	<u>1980 - 1984</u>				
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Number of Members	9,778	10,796	11,902	13,122	14,468
Cumulative Increase - %	-	10	22	24	48
Marketings - Tons	91,650	114,080	139,281	168,890	203,113
Cumulative Increase - %	-	24	52	84	122
Marketing Sales	5,274,567	7,007,764	9,059,992	11,686,028	14,053,422
Cumulative Increase - %	-	33	72	122	166
Gross Margins From Sales	344,204	892,573	1,568,882	2,601,183	3,126,831
Gross Margin - % of Sales	6.53	12.74	17.31	22.25	22.25

Annex VIII

Explanatory Notes

Cost Estimates

Egypt Cooperative Marketing Project

FY 1979 - 1983

1. Estimates: Prepared May - June 1979 by USAID/Egypt and Project Design Consulting Team.
2. Conversion Rate: U.S. \$1 = L.E. .70
3. AID Fiscal Year: October to September following year.
4. Technical Assistance:
 - a. U.S. Technicians:

Estimates are based on recent Mission experience. The estimates include salaries, fringe benefits, post differential, travel to and from post for technicians and dependents, U.S. storage, HHE and car shipment, R & R, educational allowance, Marine insurance, and institutional overhead of 30 percent.
 - b. Egyptian Project Personnel:

Based on GOE salaries shown in Annex VII.
5. Participants:
 - a. Long-term Training, U.S.: Calculated at \$ 13,200 per year; based on current costs.
 - b. Short-term Training, out of country: Calculated at \$ 14,400 per year; based on current costs.
 - c. In Country Training: Calculated at \$500 per month.
6. Construction/Commodities: Based on consulting team estimates. IBRD will provide detailed estimates as this is an IBRD component.

Note: Inflation (Percent)

US & GCE 80 81 82 83
 10 21 33 46

Annex table VIII-1 Expenditure Schedule, USAID*

Egypt Cooperative Marketing Project

	<u>FY 1980 - 1983</u> ('000 U.S. \$)				
	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>Total</u>
<u>Total</u>	<u>\$ 3,890.6</u>	<u>\$ 737.3</u>	<u>\$ 372.1</u>	<u>\$ -</u>	<u>\$ 5,000.0</u>
A. <u>Technical Assistance</u>	<u>372.2</u>	<u>612.5</u>	<u>372.1</u>	<u>-</u>	<u>1,356.8</u>
1. Cooperative Marketing Technician	123.0	123.0	123.0	-	369.0
2. Cooperative Sales Technician	61.5	123.0	61.5	-	246.0
3. Cooperative Operations Technician	-	123.0	123.0	-	246.0
4. Consultants	187.7	187.8	-	-	375.5
5. Inflation Allowance	-	55.7	64.6	-	120.3
B. <u>Training</u>	<u>168.4</u>	<u>75.5</u>	<u>-</u>	<u>-</u>	<u>243.9</u>
1. Marketing	39.6	39.6	-	-	79.2
2. Technical	72.0	-	-	-	72.0
3. Specialized	28.8	18.0	-	-	46.8
4. Inflation Allowance	14.0	12.1	-	-	26.1
5. Contingency	14.0	5.8	-	-	19.8
C. <u>Revolving Loan Fund</u>	<u>3,350.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,350.0</u>
D. <u>Evaluation</u>		<u>49.3</u>			<u>49.3</u>

*Prepared May 1979, by USAID/Egypt and contract design team.

Note: Inflation (Percent)

GOE 80 81 82 83
 10 21 33 46

Annex table VIII-2 Expenditure Schedule, UCS/GOE

Egypt Cooperative Marketing Project

FY 1980 - 1983
 ('000 U.S. \$)

	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>Total</u>
<u>Total</u>	\$ <u>3,884.6</u>	\$ <u>224.4</u>	\$ <u>224.6</u>	\$ <u>246.6</u>	\$ <u>4,580.2</u>
A. <u>Wage & Salary Costs</u> ^{1/}	<u>185.8</u>	<u>204.4</u>	<u>224.6</u>	<u>246.6</u>	<u>861.4</u>
1. Annual Salaries	61.0	61.0	61.0	61.0	244.0
2. Supplement to Salaries	15.9	15.9	15.9	15.9	63.6
3. Rewards/Incentives	7.9	7.9	7.9	7.9	31.6
4. Annual Bonus	69.0	69.0	69.0	69.0	276.0
5. Fringe Benefits	15.1	15.1	15.1	15.1	60.4
6. Inflation Allowance	16.9	35.5	55.7	77.7	185.8
B. <u>Physical Assets</u> ^{1/}	<u>3,678.8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,678.8</u>
C. <u>Training</u>	<u>20.0</u>	<u>20.0</u>	<u>-</u>	<u>-</u>	<u>40.0</u>

^{1/} See Annex VII for detailed breakdown.

Note: Inflation (Percent)

US & GOE 80 81 82 83
 10 21 33 46

Annex table VIII-3

Expenditure Schedule, IBRD

Egypt Cooperative Marketing Project

FY 1980 - 1983
 ('000 U.S. \$)

	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>Total</u>
<u>Total</u>	\$ <u>1,602.8</u>	\$ <u>6,239.3</u>	\$ <u>1,601.6</u>	\$ -	\$ <u>9,634.9</u>
<u>A. Construction</u>	<u>646.8</u>	<u>6,239.3</u>	<u>1,601.6</u>	-	<u>8,487.7</u>
1. Alexandria	-	3,369.0	-	-	3,369.0
2. Beheira	-	1,324.0	-	-	1,324.0
3. Gharbia	-	-	560.0	-	560.0
4. Menufia	-	-	560.0	-	560.0
5. Cairo	-	70.0	-	-	70.0
6. A & E Services	588.0	-	-	-	588.0
7. Inflation Allowance	-	1,000.0	36.6	-	1,369.6
8. Contingency	58.8	476.3	112.0	-	647.1
<u>B. Commodities</u>	<u>1,147.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,147.2</u>
1. Commodities	956.0	-	-	-	956.0
2. Inflation Allowance	95.6	-	-	-	95.6
3. Contingency	95.6	-	-	-	95.6

Annex table VIII-4

UCS MEMBER COOPERATIVES
Summary of Financial Information

Description	ALEXANDRIA			DEFEIRA			GHARBIA			MENUFIA		
	1977	1978	1979 (est)	1977	1978	1979 (est)	1977	1978	1979 (est)	1977	1978	1979 (est)
Balance Sheet												
Assets												
Current:												
Cash and in Banks	129034	152836	160000	243060	191710	201710	222706	167472	67000	176749	193022	130460
Accounts Receivable	205935	420838	400000	127705	492611	444411	38151	178760	115000	11892	37105	35000
Inventories	79466	30	50000	18679	61170	63170	11278	6880	9678	8948	16369	17000
Prepaid Expense	438	373	500	45660	5583	6583	20	140	140	186	-	-
Others	18386	568	16000	2599	-	-	169	-	-	50	-	-
Total Current Assets	431259	574645	620500	437703	701074	715674	272504	351252	191618	197825	246356	182323
Fixed:												
Land	25329	23663	23663	-	-	-	4902	4902	4902	2437	4734	4734
Buildings & Equipment	63091	68945	65945	3910	418	818	7405	5605	4630	10050	8513	7500
Under Construction	5815	-	-	-	-	-	2215	71999	115317	-	-	-
Net Fixed Assets	94235	92608	89608	3910	618	818	14602	82565	145079	13287	13247	12234
Other Assets:												
Investments (UCS)	-	11798	35000	-	5000	10000	-	5000	35000	-	6420	26420
Total Assets	527494	679051	745108	441613	706692	726692	287106	440837	371897	213112	266163	221134
Liabilities & Capital												
Current Liabilities:												
Accounts Payable	127374	226231	246798	264457	577577	578577	135606	212850	106000	125249	184782	115814
Loans & Notes Payable	124000	124000	150000	-	-	-	-	79123	80000	-	-	-
Other	-	26525	30000	4950	-	-	1255	1979	2000	-	322	330
Total Current Liabilities	251374	376756	426798	269407	577577	578577	136861	223952	182000	125249	185104	116134
Long-term Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	251374	376756	426798	269407	577577	578577	136861	223952	182000	125249	185104	116134
Capital												
Membership Fees	7370	7692	9000	13088	13922	18922	6637	6637	32000	9841	9849	25000
General & Legal Reserves	43092	85254	111000	31767	20871	29000	21027	49673	27897	31538	34107	35000
Other Reserves	147264	119500	102310	66020	24869	27942	64891	63349	-	22965	17266	20000
Current Year's Margin	79394	89849	97000	60531	61451	71451	56999	27026	60000	23495	19017	25000
Total Capital	276120	302295	318310	172206	129115	140115	150245	146685	189697	87663	81059	105000
Total Liabilities and Capital	527494	679051	745108	441613	706692	726692	287106	440837	371897	213112	266163	221134

BEST AVAILABLE COPY

Annex table VIII-5

UCS MEMBER COOPERATIVES
Financial Ratios

	ALEXANDRIA			BEHEIRA			GHARBIA			1977
	1977	1978	1979 Est.	1977	1978	1979 Est.	1977	1978	1979 Est.	
Gross Liquidity (Current Ratio)										
Current Assets	1.72	1.53	1.45	1.62	1.21	1.24	1.99	1.20	1.05	1.60
Current Liabilities										
Liquidity (Acid Test Ratio)										
Current Assets - Inven- tories	1.41	1.53	1.34	1.56	1.11	1.13	1.91	1.18	1.00	1.52
Current Liabilities										
Liquid & Solvency										
Net Working Capital	.52	.45	.43	.39	.18	.20	.52	.33	.51	.41
Total Assets										
Capital Turnover										
Net Margin	.15	.13	.13	.14	.09	.10	.20	.06	.16	.11
Total Assets										
Equity Capital										
Total Assets L.E.	276120	302295	318310	272206	129115	148115	150245	146885	189897	87863
Total Liabilities										

BEST AVAILABLE COPY

Annex table VIII-6

UCS MEMBER COOPERATIVES
Combined Balance Sheet

	Balance Sheet			Financial Ratios		
	1977	1978	1979	1977	1978	1979
Assets						
Cash in Banks	771629	705040	559190			
Accounts Receivable	385683	1079314	994411			
Inventories	118371	84449	139848			
Prepaid Expense	46304	6096	7223			
Other	21304	568	10000			
Sub-Total	1343291	1875467	1710672			
Fixed Assets:						
Land	32668	33299	33299			
Building & Equipment	85336	83761	79093			
Under Construction	8030	71998	135347			
Sub-Total	126034	109058	247739			
Investments	-	28218	106420			
Total Assets	1469325	2092743	2064831			
Liabilities						
Accounts Payable	652686	1201440	1041209			
Loan & Notes Payable	124000	203123	230000			
Other	6205	28826	32300			
Total Liabilities	782891	1433389	1303509			
Capital						
Membership Fees	37736	38100	84922			
General and Legal Reserves	128224	156862	222697			
Other Reserves	301160	146749	97942			
Current Year's Margin	219314	198143	253451			
Total Capital	686434	659354	761322			
Total Liabilities and Capital	1469325	2092743	2064831			
				Current Ratio		
				Current Assets =	1.72	1.31
				Current Liabilities		1.11
				Acid Test		
				Current Assets - Inventories	1.56	1.25
				Current Liabilities		1.21
				Solvency		
				Net Working Capital =	.47	.32
				Total Assets		.37
				Capital Turnover		
				Net Margin =	.15	.09
				Total Assets		1.12
				Equity Capital		
				Total Assets = L.F.	686434	659354
				Total Liabilities		761322

Annex table VIII-7

UCS MEMBER COOPERATIVES
Profit & Loss Statement

	ALEXANDRIA			BENEIRA			GHARDIA			MENUFIA		
	1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979
Income												
Gross Income:												
Commissions												
Potatoes				78961	61316	70314	78351	34225	63600	28333	25355	29900
Citrus				5597	10465	11465						
Vegetables							2000	2500	7500	3325	3517	4700
Market Operations	111287	117362	125000									
Total Commissions & Market	111287	117362	125000	84588	71781	81779	80351	36525	66100	31658	28872	34600
Supplies												
Seed Potatoes					18431	22631		11400	11500	7780	5000	6000
Seeds & Chemicals	2640			9627	9331	10333					3	100
Sacks					2372	3000						
Machinery Commissions											113	100
Total Supplies	2640			9627	33875	40705		11400	11500	7780	5116	6200
Other Income												
Cold Storage		4500	4500					202	500			
Interest		27115	30000		5895	7895		2000	4500			
Trucking					7941	8954						
Miscellaneous	13749	10221	12000	21391	841	1000	7754			2740	1279	1500
Total Other Insurance	13749	41636	46500	21391	14677	17849	7754	2202	5000	2740	1279	1500
Total Gross Income	127676	159198	171500	115606	120333	140333	88105	50127	82600	42178	35267	42260
Expense												
Salaries			20000		11552			8834	9000		10875	12000
Marketing Costs			22000		21574			7656	8000			
General Expense		17336	19000		11356	14006		2407	2600		4317	5000
Depreciation		3239	3000		2566	3516		1851	1900		2500	2600
Other	49282	9834	10500	55075	11834	13384	31215	2293	1100	18679		
Total Expense	49282	69349	74500	55075	58882	67882	31215	23101	22600	18679	15450	17600
Net Income	78394	89849	97000	60531	61451	71451	56890	27026	60000	23499	19817	25000

Annex IX

Egypt - COOPERATIVE MARKETING PROJECT

Schedule of Project Activities

- Fiscal Years -

No.	Activity Description	Action	1979		1980		1981		1982			
			Quarters		Quarters		Quarters		Quarters			
			3	4	1	2	3	4	1	2	3	4
1.	Starting point - project paper prepared and approved by AID/Egypt	AID/Egypt	---									
2.	Grant agreement signed	AID/E - GOE		---								
3.	Complete conditions precedent											
	- Governmental and legal constraints	GOE			---							
	- UCS Organizational structure	UCS	---									
	- Schedule of technical assistance	Contractor-UCS				---						
	- Training program	Contractor-UCS					---					
4.	Recruit Technical Assistance team (RFP) - Host Contract signed	AID - UCS		---								
5.	Determine and obtain necessary UCS personnel, adequate office machinery and equipment and temporary office space. Provide staff transportation	UCS			---							

Schedule of Project Activities

- Fiscal Years -

No.	Activity Description	Action	1979		1980		1981		1982			
			Quarters	Quarters	Quarters	Quarters	Quarters	Quarters				
			3	4	1	2	3	4	1	2	3	4
6.	Complete recruitment and selection of National counterparts for T.A. team and select training program candidates	UCS										
7.	Initiate fielding of T. A. team - Marketing advisor - Financial consultant - Sales consultant - Operations specialist - Grades and standards technician - Maintenance specialist	Contractor-UCS										
8.	Initiate training program - Export market investigation - Packing and shed operations - Refrigerated storage operations - Truck scheduling and maintenance - Academic-Marketing & B.A. - Wholesale markets inspection	Contractor-UCS										
9.	Initiate loan program											

Annex IX

Egypt - COOPERATIVE MARKETING PROJECT

Schedule of Project Activities

- Fiscal Years -

No.	Activity Description	Action	1979		1980		1981				1982					
			Quarters		Quarters		Quarters		Quarters		Quarters		Quarters			
			3	4	1	2	3	4	1	2	3	4	1	2	3	4
10.	Establish Cairo produce market office	UCS														
11.	Complete selection of building sites and acquire land titles	UCS - IBRD														
12.	Contract architectural and engineering services	UCS - IBRD														
13.	Complete design and specifications of packing sheds and fruit and potato lines	UCS - IBRD														
14.	Contract construction services	UCS - IBRD														
15.	Complete construction of packing sheds, and fruit and potato lines	UCS - IBRD														
16.	Prepare operating manuals	UCS-Contractor														
	- Accounting and financial procedures															
	- Grades and Standards handbook															
	- Packing shed operations															
	- Maintenance schedule															
	- Sales procedures															

Annex IX

Egypt - COOPERATIVE MARKETING PROJECT

Schedule of Project Activities

- Fiscal Years -

No.	Activity Description	Action	1979		1980		1981				1982					
			Quarters		Quarters		Quarters		Quarters		Quarters		Quarters			
			3	4	1	2	3	4	1	2	3	4	1	2	3	4
17.	Complete design and specifications of Alexandria shipment center and UCS Headquarters office	UCS - IBRD														
18.	Contract construction services	UCS - IBRD														
19.	Complete construction of Alexandria and Suez port shipment center	UCS - IBRD														
20.	Determine and complete transportation fleet requirements and specifications of equipment	UCS - IBRD														
21.	Complete procurement of transportation fleet and equipment	UCS - IBRD														
22.	Determine and complete intercommunication system design and specifications	UCS - IBRD														

Annex IX

Egypt - COOPERATIVE MARKETING PROJECT

Schedule of Project Activities

- Fiscal Years -

No.	Activity Description	Action	1979		1980		1981		1982								
			Quarters		Quarters		Quarters		Quarters								
			3	4	1	2	3	4	1	2	3	4	1	2	3	4	
23.	Contract procurement and installation of inter-communication system	UCS - IBRD															
24.	Prepare and submit to AID a quarterly progress report of project implementation	UCS															
25.	Conduct yearly external evaluation of project and submit recommendations for improving implementation performance activities	UCS - GOE AID															
26.	Incorporate into following year work plan all recommendations of previous year's evaluation	UCS - AID															
27.	Final evaluation and end of project report	UCS - GOE AID															

ANNEX X

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual fund sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED
FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FAA Sec. 653(b); Sec. 634A.
(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?
(a) Congressional notification will be submitted following Mission approval.
(b) Yes
2. FAA Sec. 611(a) (1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
(a) Yes. Firm financial plans have been developed as a part of the project paper.
(b) Yes
3. FAA Sec. 611(a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
None required
4. FAA Sec. 711(b); FY 79 App. Act Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?
Not applicable

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? Yes
6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. The project is not susceptible to execution as a regional or multilateral project. Assistance is not expected to encourage regional development programs although there may be minor regional benefits.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. The project will (a) increase trade by promoting agricultural production, (b) foster private initiative in handling of inputs, (c) strengthen integration of cooperatives and other credit institutions, (d) support growth of a free market for inputs, and (e) increase the technical efficiency of agriculture and the government sector serving it. Labor unions will not be affected.
8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). A large portion of services and commodities will have their source and origin in the U.S. A large portion of services and commodities will be procured from U.S. private enterprise.
9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services. The Grant Agreement will so provide.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? Yes, but see Annex XI for a request for a determination under Section 612(b) that U.S. dollars may be used to procure local currency for this project notwithstanding the availability of excess local currency.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. FY 79 App. Act Sec. 608. If assistance is for the production of any commodity for export, is the ~~commodity~~ ^{likely} to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b); 111; 113; 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing

Not applicable

countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source).

(1) (103) for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; (103A) if for agricultural research, is full account taken of needs of small farmers;

(2) (104) for population planning under sec. 104(b) or health under sec. 104(c); if so, extent to which activity emphasizes low-cost; integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) (105) for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor; or strengthens management capability of institutions enabling the poor to participate in development;

(4) (106) for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(ii) to help alleviate energy problems;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. (107) is appropriate effort placed on use of appropriate technology?

d.. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least-developed"?

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and

capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental and political processes essential to self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

Not applicable

b. FAA Sec. 620(d): If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance support and promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

This assistance will support economic stability by promoting a sound rural economy and encouraging greater participation by small farmers in cooperative business enterprises.

b. FAA Sec. 533. Will assistance under this chapter be used for military, or paramilitary activities?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? Goods and services to the extent possible will be procured through competitive procedures--will allow U.S. small business to participate.
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed? Egypt does not discriminate against U.S. marine insurance companies.
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? No such procurement is planned.
5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? Yes
6. FAA Sec. 603. (a) Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of

commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes
8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? Yes
9. FY 79 App. Act Sec. 105. Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States? It will so provide

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? Yes
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? Yes

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million? Not applicable

C. Other Restrictions

1. FAA Sec. 122(e). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? Not applicable

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Not applicable

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-bloc countries, contrary to the best interests of the U.S.? Yes

4. FAA Sec. 636(?). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S., or guaranty of such transaction? Yes

5. Will arrangements preclude use of financing:

- a. FAA Sec. 104(f). To pay for performance of abortions or to motivate or coerce persons to practice abortions, to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilization? Yes

- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes

- c. FAA Sec. 660. To finance police training or other law enforcement assistance, except for narcotics programs? **Yes**
- d. FAA Sec. 662. For CIA activities? **Yes**
- e. FY 79 App. Act Sec. 104.
To pay pensions, etc., for military personnel? **Yes**
- f. FY 79 App. Act Sec. 106.
To pay U.N. assessments? **Yes**
- g. FY 79 App. Act Sec. 107.
To carry out provisions of FAA sections 209(d) and 251(h)?
(Transfer of FAA funds to multi-lateral organizations for lending.) **Yes**
- h. FY 79 App. Act Sec. 112.
To finance the export of nuclear equipment, fuel, or technology or to train foreign nations in nuclear fields? **Yes**
- i. FY 79 App. Act Sec. 601.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? **Yes**

Recommendations to Purchase Egyptian Pounds
with U.S. Dollars

Over the life of the Project \$ 3,901,000 will be used to support local currency expenditures that the Egyptian Government will make for specific items in support of this project. Dollar funds will be used in association with GOE disbursement of Egyptian pounds for funding the revolving loan fund, the costs of the travel, per diem, and shipment of household effects of project consultants; related project support costs such as the travel of Egyptian participants, rental of office space, and procurement of secretarial and interpreting services and related miscellaneous costs. The Mission will purchase Egyptian pounds with U.S. dollars provided by the Project. The Egyptian pounds will in turn be made available to the various appropriate Egyptian entity(s) responsible for project implementation for disbursement in accordance with the agreements reached between USAID and the GOE in the Project Agreement.

One reason for using dollar funds in conjunction with Egyptian pound costs is that this represents an additional real resource to the Egyptian economy and provides an incentive for the Egyptian Government to implement new initiatives that otherwise it might not be able to undertake. The Mission considered the use of granting excess U.S.-owned local currency for these Egyptian pound costs; however, the use of existing U.S.-owned local currency would add no additional real resources to the economy. Given the GOE's need to restrict the growth in the money supply to correspond to the growth in real resource in the economy, the inflationary impact of using U.S.-owned local currency would have to be offset by reduced GOE disbursements of other programs. Maintaining this fiscal balance is also required under the terms of the current IMP Standby Agreement with Egypt-- which the U.S. and other donors have strongly supported.

Consequently, if U.S.-owned local currency were used, it is doubtful that the various Egyptian entities could enter into agreements since they would have to sustain budgetary cutbacks in other areas. Even if the various Egyptian entities were to obtain budgetary funds to provide its full portion of project costs, it is doubtful that it could commit them to this project unless the added fillin of dollar funding for local currency costs were assured. Given the above considerations and the fact that the Cooperative Marketing Project is fully consistent with the Congressional Mandate of the Foreign Assistance Act to undertake activities designed to improve the economic position and quality of life of the poor majority, we have concluded Project's costs should be dollar funded.

ANNEX XII

Draft of Project Description to be used as Annex to the Project Grant Agreement

The Cooperative Marketing Project is designed to improve the marketing system for fruits and vegetables through:

- (1) strengthening the pilot cooperatives' technical and administrative capacity for developing and executing sound marketing policies and programs aimed at encouraging the production of quality fruits and vegetables at minimum cost to consumers;
- (2) the provision of "seed capital" so that the pilot cooperative will have adequate capital to expand memberships and to increase the size and number of production loans; and
- (3) providing basic physical infrastructure for a pilot cooperative marketing activity.

The project contributed to the overall national goal of increasing small and medium size farmer's incomes while simultaneously reducing costs of perishable crops to consumers.

The thrust of the project will be directed toward improving capabilities in administration/management, financial operations, grades and standards, marketing and sales, transportation, credit, and facility-equipment maintenance.

Administrative/Management

UCS management, inexperienced in Apex, or centrally managed cooperative operations, will be confronted with a wide range of management problems/decisions. Thus, this activity will focus on the need to provide policy guidance and to develop appropriate action policies

Financial Operations

The thrust of this activity will be to develop a sound financial management system and to ensure effective utilization of the AID financed revolving loan fund.

Grades and Standards - Key, TA & Training

This activity will focus on the need to train UCS technicians in methods of classifying products and measuring quality of fresh fruits and vegetables.

Marketing - Sales

The main thrust of this activity will be to train UCS personnel in efficient methods of receiving, processing, storing and distribution of produce. Additionally, market analysis, sales policies, pricing techniques and other related activities will receive close attention.

Transportation

This activity will address the problems of an antiquated, inefficient, and costly transportation system.

Revolving Loan Fund

The pilot project will directly improve access to inputs in the four governorates for small fruit and vegetable growers through access to the AID loan fund. The project design team has formulated a set of guidelines for the administration of this fund--they are set forth below:

Technical Services

The project will be implemented by the United Cooperative Society under direction of the Minister of Agriculture. Technical assistance and training program inputs will be provided under a contract between a Project Contractor and the Government of Egypt. A Project Technical Manager will be provided by the Project Contractor to assist and coordinate all activities of the Project in Egypt for the duration of the contract.

Commodities and Project Procurement

Procurement for the Project shall be by means of contracts entered into by the UCS, financed by IBRD. The Project Contractor shall assist the UCS in procurement as requested by the UCS.

Evaluation

A comprehensive evaluation and review of the Project's accomplishments will be conducted annually throughout the life of the Project, to determine the effectiveness and utility of completed activities. The evaluations will also serve as a basis for determining the focus of future cooperative marketing programs.

Annex XIII

USAID/CAIRO, EGYPT

THRESHOLD DECISION

BASED ON INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Egypt

Project Title: Cooperative Marketing 263-0095

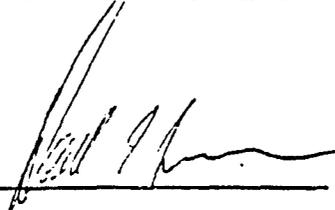
Funding (Fiscal Year and Amount): 1979-81 \$4,905,000

IEE Prepared By: Gene Miller Date: Dec 15, 1978

Environmental Action Recommended: A negative determination
is recommended

Mission Decision:

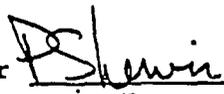
(Approval/Disapproval of Environmental Action Recommended
in the IEE)

Approved: 

Disapproved: _____

Date: 12/26/78

Clearances:

A/Environmental Coordinator  Date: 12/21/78

Legal: _____ Date: 12/22/78

TA: _____ Date: 12/21/78

Annex XIII

INITIAL ENVIRONMENT EXAMINATION

NARRATIVE DISCUSSION

1. Project Location: Egypt
2. Project Title: Cooperative Marketing 263-0095
3. Funding (Fiscal Year and Amount): 1979-81 \$4,905,000
4. IEE Prepared By: Gene Miller Date: Dec. 15, 1978
5. Action Recommended: A negative determination is recommended.
6. Discussion of Major Environmental Relationships of Project Relevant to Attached Impact Identification and Evaluation Form:

This is a joint IBRD/AID project ^{1/}. The project will assist the cooperative marketing structure through the provision of technical assistance and loan funds, the construction of collection and handling centers for fruits and vegetables serving five governorates and the improvement of Alexandria port storage facilities.

The project will have a limited environmental impact, which is expected to be positive on balance. The project will generate slight increases in air pollution from truck traffic, and in air and water pollution from the operation of the collection and handling centers. The centralization of processing activities may also place some strain on local garbage disposal systems. Construction will generate minor noise and dust pollution, which will be temporary and highly localized. On the positive side, the reduction in spoilage will generally result in an improvement of the quality of the market environment, reducing health hazards to workers and consumers.

1/ IBRD to fund the physical infrastructure component; AID will fund TA, training and funds for production credit.

Annex XIII

IMPACT IDENTIFICATION AND EVALUATION FORM

Impact Identification
and Evaluation

Impact Areas and Sub-areas

A. LAND USE

- 1. Changing the character of the land through:
 - a. Increasing the population N
 - b. Extracting natural resources N
 - c. Land clearing N
 - d. Changing soil character N
- 2: Altering natural defenses N
- 3. Foreclosing important uses N
- 4. Jeopardizing man or his works N
- 5. Other factors:

B. WATER QUALITY (Harbor Waters):

- 1. Physical state of water N
- 2. Chemical and biological states N
- 3. Ecological balance N
- 4. Other factors: N

N- No environmental impact
 L- Little environmental impact
 M- Moderate environmental impact
 H- High environmental impact
 U- Unknown environmental impact

C. ATMOSPHERIC

- 1. Air additives N
- 2. Air pollution N
- 3. Noise pollution L
- 4. Other factors:
_____ _____
_____ _____

D. NATURAL RESOURCES

- 1. Diversion altered use of water I
- 2. Irreversible, inefficient commitments N
- 3. Other factors:
_____ _____
_____ _____

E. CULTURAL

- 1. Altering physical symbols N
- 2. Dilution of cultural traditions N
- 3. Other factors:
_____ _____
_____ _____

F. SOCIOECONOMIC

- 1. Changes in economic/employment patterns M
- 2. Changes in population N
- 3. Changes in cultural patterns N
- 4. Other factors:
_____ _____
_____ _____

C. HEALTH

- 1. Changing a natural environment
- 2. Eliminating an ecosystem element
- 3. Other factors:

N

N

H. GENERAL

- 1. International impacts
- 2. Controversial impacts
- 3. Other factors:

L

N

I. OTHER POSSIBLE IMPACTS (not listed above)

Prepared by: Gene Miller
Gene Miller

Date: December 15, 1

Project Location: Egypt

Project Title: Cooperative Marketing

ANNEX XIV

Project Authorization
and Request for Allotment of Funds

Name of Country: Arab Republic
of Egypt

Name of Project:

Cooperative Marketing

Number of Project: 263-0095

Pursuant to Part II, Chapter 4, Section 532 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to the Arab Republic of Egypt (the "Cooperating Country") of not to exceed four million nine hundred fifty-one thousand United States Dollars (\$ 4,951,000) to assist in financing the foreign exchange and local currency costs of goods and services required for the Project as described in the following paragraph:

Description of the Project:

The Cooperative Marketing Project will assist Egypt to develop a more efficient and effective marketing system and to meet the goal of increasing small and medium size farmer's income while simultaneously reducing costs of perishable crops to consumers. The Project will upgrade and modify the existing system of a select group of marketing cooperatives and involve activities addressing the key constraints of administration, financial, grades and standards, credit, physical infrastructure and maintenance. Major elements of the Project will include (1) strengthening the pilot cooperatives' technical and administrative capacity for developing and executing sound marketing policies and programs aimed at encouraging the production of quality fruits and vegetables at minimum cost to consumers; and (2) providing "seed capital" in the form of a revolving loan fund so that the pilot cooperative will have adequate capital to expand memberships and to increase the size and number of production loans.

Based upon the justification set forth in Annex XI of the Project Paper, I hereby determine, in accordance with Section 612(b) of the Act, that the expenditure of United States Dollars for the procurement of goods and services in Egypt is required to fulfill the purposes of this Project; the purposes of this Project cannot be met effectively through the expenditure of U.S.-owned currencies for such procurement; and the administrative official approving local cost vouchers may use this determination as the basis for his certification as required by Section 612(b) of the Act.

I hereby authorize the initiation of negotiation and execution of the Project Agreement in accordance with AID regulations and Delegations of Authority subject to the following terms, together with such other terms and conditions as AID may deem appropriate:

A. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, shall have their source and origin in the Cooperating Country or the United States, except as AID may otherwise agree in writing. Ocean shipping shall be procured in the United States.

B. Conditions Precedent to Initial Disbursement

1. Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, Grantee shall, except as AID may otherwise agree in writing, furnish in form and substance satisfactory to AID:

- a. A statement of the names and titles with specimen signatures of the persons who will act as the representatives of the Grantee;
- b. Evidence of establishment of the United Cooperative Society;
- c. Evidence of the election of the Board of Directors of UCS and a functional statement of the Board;

C. Conditions Precedent to Disbursement for Technical Services

1. Prior to any disbursement or to the issuance by AID of documentation pursuant to which disbursement will be made for technical services, the Grantee shall, except as the parties may agree otherwise in writing, furnish to AID in form and substance satisfactory to AID:

- a. Evidence of an executed contract with a contractor acceptable to AID for the technical advisory services for the Project;

D. Conditions Precedent to Disbursement for Revolving Loan Fund

Prior to any disbursement or to the issuance by AID of documentation pursuant to which disbursement will be made for revolving loan funds, the Grantee shall, in writing, furnish to AID in form and substance satisfactory to AID:

- a. Grantee shall establish a cooperative Revolving Loan Fund in the Cairo Bank for funds to relent exclusively to United Cooperative Society;

b. United Cooperative Society shall furnish a statement as to the general lending policies of the fund, the terms and conditions upon which subloans will be made;

c. United Cooperative Society shall furnish a plan for obtaining the participation of an increasing number of lower income farmers in this portion of the Project.

E. Covenants

USAID will include the following Special Covenants, in the Grant Agreement:

1. Execution of the Project

The Grantee shall cause the Project to be carried out in conformance with all the plans, specifications and with all the modifications therein approved by AID pursuant to the Agreement, including the provision, on a timely basis, of necessary local currency and in kind support as specified in the Agreement and its Annexes.

2. The Grantee shall submit for AID approval prior to implementation, issuance or execution, all plans, schedules, contracts, and all modifications to these documents.

*3. The Grantee shall diligently seek to obtain, on a timely basis, sufficient funds, from sources acceptable to AID, to construct the facilities and purchase the commodities necessary to effectively market the production of farmer-members of United Cooperative Society.

4. The Grantee agrees to exercise its best efforts to institute appropriate fertilizer distribution policies in the pilot area in order to assist the Project in reaching the objective of stimulating production of fruit and vegetables.

5. Within 90 days of the arrival of the technical services contractor in Egypt, the UCS and the contractor shall establish a time-phased implementation plan for the conduct of the Project activities.

ANNEX XV

IBRD Loan for Physical Infrastructure

The project design team has, from project inception, viewed the cooperative marketing project as a systems program, one that would accomplish most by addressing the entire array of constraints. The project design team continues to support this view, and designed the Project accordingly--incorporating all the necessary components to effect an optimum marketing program. The IBRD has expressed an interest to participate in this Project by funding the physical infrastructure component and have agreed to do so through an existing loan fund with Bank Misr. However, Section VIII indicates that the UCS will have the option to seek funding from a source different than the IBRD. In the unlikely event that IBRD/Bank Misr might choose not to fund the physical infrastructure component or otherwise fail to reach agreement with the UCS, it is felt that this possibility is remote, but should it occur, the UCS would be able to locate alternative funding without difficulty. In any case, the project design team felt that the most important near-term elements of the Project, the technical assistance training and credit components, i.e., the planned AID inputs should be undertaken immediately with suitable language incorporated in the agreement concerning UCS responsibility in obtaining financing for the capital components.

With the above in mind the project design team has developed the Project as presented in this paper. Generalized plans for construction and commodities considered appropriate to project requirement have been developed for inclusion in this document. Final plans and specifications will be developed separately by the funding institution in cooperation with UCS.

Shown below are the proposed construction-commodities planned for the project under the IBRD loan.

Physical Infrastructure - Summary

Alexandria and Suez

A. Port Shipment Center - Alexandria

1. Land
2. 5000 tons refrigerated storage
3. 2000 m² dry warehouse
4. 500 m² offices

B. Port Shipment Center - Suez

1. Land
2. 500 tons refrigerated storage
3. 1000 m² dry warehouse and office

C. Packing Line - Fruit

1. Land
2. Fruit packing line 25 tons an hour
3. 8000 m² building/warehouse/office
4. Truck scale
5. 2 Fork-lifts

D. Production Center - Vegetables

1. Land
2. Packing shed
3. Packing line - machinery & equipment
4. Pre-cooling unit
5. 500 tons refrigerated storage
6. 2000 m² dry storage & office

Beheira

A. Production Center - Potatoes

1. Land
2. Potato packing line 15 tons an hour
3. 4000 m² buildings/warehouse/office
4. Truck scale

B. Production Center - Fruits and Vegetables
see "C" above

Gharbia

A. Production Center - Fruits and Vegetables
see "C" above

Menufia

A. Production Center - Fruits and Vegetables
see "C" above

Cairo

A. Offices in Produce Market

Inter-Communication System

A. Radio system connecting Alexandria with production centers, trucks and Cairo office

Transportation Fleet

- 6 - refrigerated vans
- 3 - truck tractors
- 10 - 5-ton platform trucks
- 10 - pickup trucks - 3/4 ton

Potato Packing Plant

It is considered essential that a potato facility be provided for the marketing system in light of the concentration of commercial potato production in the selected areas for project implementation. Additionally, the direct marketing of potatoes in the domestic and export markets will benefit the farmer-producer with increased returns. A 200 ton per day potato packing facility shall be built for the grading and packing of potatoes for local demands and foreign commercial channels.

Vehicles

One of the principal constraints to extending the shelf-life of field fresh produce and the subsequent reduction of spoilage losses is the almost complete lack of adequate transportation to consumer markets. Existing transport consists of animal-drawn open carts that expose highly perishable horticultural crops to the hot sun for protracted periods of time.

The marketing system will provide the following vehicles:

1. 10 - 5 ton stake trucks to expedite transport of produce from field to the packing sheds.
2. 10 - pickup trucks for use in the transport of small lots of produce and supplies.
3. 6 - 20 ton refrigerated vans to haul refrigerated economic loads of produce from packing sheds to wholesale markets and to port shipment centers.
4. 3 - truck tractors for the refrigerated vans.

Cairo Office

The efficient movement of horticultural crops between the main consumer markets, Alexandria and Cairo, and other distribution centers will require additionally to the main offices in Alexandria, a coordinating office in Cairo. For this purpose office space shall be leased in the Cairo wholesale produce market and, if necessary, stall facilities for the marketing function.

Inter-Communication System

The dispatching and control of horticultural commodities through the distributing channels will necessitate a communication system linking packing plants, marketing offices and vehicles for optimum utilization of facilities and maximization of market opportunities.

Production Centers. Receiving and packing plants located in the center of the designated production areas and with accessibility to all-weather roads. The necessary equipment for the packing lines to adequately clean, size, select, and pack produce of predetermined qualities will form the nucleus of the physical installation. Pre-cooling equipment, utilizing water or refrigeration, will be an essential component for domestic and export shipments. Lastly, a small refrigerated warehouse shall be provided for storage of pre-cooled products awaiting shipment to market or staging points. Sufficient warehousing space for crates, packing materials and incoming field products will be provided.

Port Shipment Center. The immediate thrust of the UCS is to broaden the production base of its member cooperatives to command significant volumes of horticultural crops for the domestic market. UCS will be provided an institutional capacity through project implementation to establish and maintain a strong position in the food distribution channels in the country. Once in command of a strong domestic market UCS will develop export market opportunities for horticultural produce.

Alexandria is the principal port for the shipment of horticultural crops to European markets. Additionally, it is the second largest market center, after Cairo, in Egypt. The marketing project will provide facilities for staging (assembly of economic loads) of selected and packaged fresh vegetables and fruit from UCS packing sheds for subsequent shipment to domestic and export markets. Facilities will additionally include the main offices of UCS, warehousing space for supplies and reworking of shipments, and a cold storage plant.

As an alternative to building a cold storage facility, UCS will study the possibilities of leasing refrigerated space. Misr Cold Centers and Storage Company, a subsidiary of Bank Misr will complete a 10,000 ton cold storage complex in Alexandria by November, 1979 and has offered UCS space for horticultural crops. In the event of a cost advantage to UCS through leasing loan requirements and obligations to the cooperative organization will be significantly lower.

Export opportunities to the Arab countries have been largely ignored by Egypt. To stimulate and develop exports as well as local consumption of vegetables and fruit a facility consisting of an office, refrigerated storage and warehouse will be provided by the project in Suez.

Fresh Fruit Plant Facility. To assure a more equitable return for the production of high quality fruit, the producer must participate directly in the domestic and export markets. A plant with a capacity of 25 tons per hour shall be built in a central location of the designated production areas for the receiving, cleaning, waxing and packing of fresh fruit for domestic and foreign markets. Effective use of the facility will be for a period of eight months.

ANNEX TABLES - 263-0095

Cooperative Marketing Project 263-0095

Annex

Table 1 - EGYPT: Area in Vegetables and productionof Selected Vegetable Crops, 1975 - 1978and Selected Time Period, 1950 - 1974

<u>Year</u>	<u>Area in Vegetables^{1/} 1,000 feddans</u>	<u>Production of Selected Vegetable Crops^{2/} 1,000 metric tons</u>
1950 - 54	259	-
1955 - 59	395	-
1960 - 64	547	-
1965 - 69	668	-
1970 - 74	761	-
1975	885	4,096
1976	918	4,321
1977	914	4,432
1978	939	4,741
1979 ^{3/}	979	-

1/ Garlic and Onions not included.

2/ Broad beans, lentils, potatoes, sweet potatoes, onions, peanuts, cabbage, and tomatoes.

3/ Projected

In Egyptian Pounds
(L.E.)

Annex Table 2

UCS - PRODUCTION CREDIT FUND UTILIZATION
A PROJECTION BASED ON FUND INVOLVING AN AVERAGE OF TWICE ANNUALLY

BEST AVAILABLE COPY

Year	Fund Grant	Average Fund	Interest Rate 10% (10.25)	Loans*	LOAN CLASSIFICATION				Production Fund Utilization		
					Number of Loans		Loan Value		Vegetable	Fruit	Total
					Vegetable	Fruit	Vegetable	Fruit	Vegetable	Fruit	Total
	2345000			9314	8799	521	2110500	214500	26397	1561	27958
1980		2465182									
1981		2717863	252681	9778	9231	547	2219024	246158	27193	1641	28834
1982		2996444	278501	10796	10192	604			30176	1612	31788
1983		3303560	307136	11902	11236	666	2446077	271786	33708	1980	35688
1984		3642197	338617	13322	12388	734	2696800	299644	37164	2762	39926
1985		4015522	373325	14468	13659	809	2973222	330358	40977	2427	43404
1986		4427113	411591	15950	15058	892	3277977	364220	45174	2676	47850
	2880892		453779	17586	16602	984	3613970	401552	49806	2952	52758
				109%	95%	5%	3984402	442711			
		109%					90%	100%			
	(1)	(2)	(3)	(4)							
Production Loans-Guideline	Limit Per Feddan	Average 3 Feddans	Fund Allocation	Weight Average 2 x 3							
Potatoes & Vegetables	80.00	240.00	95%	228.00							
Fruit	150.00	450.00	5%	22.50							
				<u>250.00</u>							

Annex Table 2

ANNEX Table 3.- Plantings & Production of Selected Horticultural Crops in Base DCS Governorates

In Feddans & Metric Tons

1977

Product	Alexandria		Behaira		Gharbia		Menoufia		Feddans	Totals		Feddans	Average Yield/Tons
	Feddans	Tons	Feddans	Tons	Feddans	Tons	Feddans	Tons		Feddans	Tons		
Vegetables													
Potatoes	5122	29546	41559	252756	22313	167625	33259	211538	102253	661667	39.25	6.4	
Tomatoes	9879	63961	42743	318769	8311	56149	7998	62520	68931	501399	7.27	7.27	
Cucumbers	714	4226	5428	35779	2669	17328	2297	13669	11108	71002	6.3	6.3	
French beans	5614	21965	1216	5367	80	237	3565	10355	10475	37524	3.62	3.62	
Bell Peppers	532	3038	4531	25492	603	4304	438	2674	6104	35081	5.82	5.82	
Carrots	674	6543	2010	11610	116	794	129	1308	2929	20255	6.92	6.92	
Peas	75	300	1625	2030	84	246	1356	4081	3340	6657	1.99	1.99	
Artichokes 35.4# @ fed.	377	13195*	613	21455*					990	34650*			
Sub-total	22987	129579	99925	651805	34176	246803	49042	306145	206130	1334412	79.11		
Fruits													
Oranges	734	7187	27309	171818	8862	65709	13271	74707	50176	319421	19.26	6.17	
Pears	163	1622	3514	21466	400	2360	98	523	4195	25971	1.61	6.19	
Sub-total	917	8809	30823	193284	9262	68069	13369	75230	54371	345392	20.87		
Total Vegetables & Fruits	23904	138388	130748	845089	43438	314952	62411	381375	260501	679804	1000		
*Units = 35,000 artichokes													

ANNEX Table 3

Table 4

SUGGESTED LOAN DISTRIBUTION -- 1st CYCLE

Co-op	Potato	%	Other Vegetables	%	Fruits	%	Amount	%	Average Feddans	Borrowers
Alexandria	105,525	30	211,050	60	35,175	10	351,750	15	2,706	902
Beheira	309,540	30	619,080	60	103,180	10	1,031,800	44	7,935	2,645
Gharbia	119,595	30	239,190	60	39,865	10	398,650	17	3,066	1,022
Menoufia	168,840	30	337,680	60	56,280	10	562,800	24	4,329	1,443
Total	703,500	30	1,407,000	60	234,500	10	2,345,000	100	18,036	6,012

Potato growers: L.E. 187.60 per feddan times 3 feddans per grower = 1,250 growers

Other vegetables: L.E. 105 per feddan times 3 feddans per grower = 4,466 growers

Fruit growers: L.E. 262.30 per feddan times 3 feddans per grower = 298 growers

TOTAL 6,014 growers

	LE 2,345,000	6,012 growers
Potato Growers	30	21
Other Vegetable Growers	60	74
Fruit Growers	10	5

Annex Table 5 -Additional Loan Runds Required at
an Increased Growth Rate

	Number of Project Borrowers	Total Funds Required at LE 390 per Borrower	Funds Available Compounded 9% P.A	Additional Funds Required Loaned at Cost
1980	6,013	2,345,070	2,345,070	-
1980½	6,013	2,345,070	2,560,799	215,729
1981	10,500	4,095,000	2,676,035	1,418,965
1981½	10,500	4,095,000	2,796,457	1,298,543
1982	15,000	5,850,000	2,922,298	2,927,702
1982½	15,000	5,850,000	3,053,801	2,796,199
1983	19,500	7,605,000	3,191,222	4,413,778
1983½	19,500	7,605,000	3,334,827	4,270,173
1984	24,000	9,360,000	3,484,894	5,875,106
1984½	24,000	9,360,000	3,641,714	5,718,286

Annex Table 6

UCS Participants Savings Plan

YEAR	Savers	Amount Saved at LE 12 PA	Savings by Year, Compounded at 7% P.A				
			1980	1981	1982	1983	1984
1980	6,012	72,144	77,194	82,598	88,380	94,567	101,187
1981	6,566	78,792		84,307	90,208	96,523	103,280
1982	7,170	86,040			92,063	98,507	105,402
1983	7,830	93,960				100,537	107,575
1984	8,551	102,612					109,795
Annual Savings			77,194	166,905	270,651	390,134	527,239

Table 7

TOTAL LAND AND FARM CULTIVATED
IN FRUITS AND VEGETABLES IN THE GHARBIA GOVERNORATE

<u>District</u>	<u>Fruits</u>			<u>Vegetables</u>		
	<u>Feddans</u>	<u>Number of Farms</u>	<u>Average Farm in Feddans</u>	<u>Feddans</u>	<u>Number of Farms</u>	<u>Average Farm in Feddans</u>
Tanta	3547	1585	2.24	2621	1500	1.75
Kafr El Zayat	3178	782	4.06	2080	2800	0.74
El-Mahalla El-Kobra	2143	697	3.07	4227	4000	1.05
Zefta	4274	1875	2.8	1399	1300	1.07
Samannoud	3020	1850	1.63	2768	2500	1.10
El-Santa	1695	1244	1.36	1980	1500	1.32
Bassyoun	844	672	1.25	2287	2000	1.14
Koutour	717	435	1.65	975	750	1.30
Total	19,418	9,140	2.12	18,337	16,350	1.12

Annex Table 7

Table 7

FARMS AND LAND CULTIVATED IN
TWO DISTRICTS OF MENUFIA GOVERNORATE

<u>Land Cultivated</u>	<u>Ashmoun District</u>			<u>El Shohada District</u>		
	<u>Number of Farms</u>	<u>Feddans</u>	<u>%</u>	<u>Number of Farms</u>	<u>Feddans</u>	<u>%</u>
Less than 1 feddan	17,179	14,670	23	11,429	7,192	23
1.1 to 5 feddans	19,894	35,505	56	8,918	16,700	52
5.1 to 10 feddans	981	5,197	8	545	2,811	9
10.1 to 20 feddans	363	4,112	7	229	1,973	6
20.1 and over	153	3,920	6	178	3,167	10
Total	38,570	63,404	100%	21,299	31,843	100%

Annex Table 7 Continued

Table 7

FARMER-MEMBERS OF THE
ALEXANDRIA MARKETING COOPERATIVE
CULTIVATING VEGETABLES AND FRUITS

<u>Land Cultivated</u>	<u>Districts</u>				<u>Sub. Total</u>		<u>Total</u>	<u>%</u>
	<u>Alexandria</u>		<u>Kair El-Dawar</u>		<u>Vegs.</u>	<u>Fruits</u>		
	<u>Vegs.</u>	<u>Fruits</u>	<u>Vegs.</u>	<u>Fruits</u>	<u>Vegs.</u>	<u>Fruits</u>		
Less than 2 feddans	24	25	62	89	86	114	200	26
2.1 to 5 feddans	83	18	131	87	214	105	319	42
5.1 to 10 feddans	38	5	64	48	102	53	155	21
10.1 to 20 feddans	13	4	28	24	41	28	69	9
21.1 and over	2	0	7	9	9	9	18	2
Total Members	181		371		552		761	100%
Total Members - Both Districts			552					
Members Cultivating Both Crops			209					

Annex Table 7 continued

- Gross margins and related data -

Annex Table 8 -- 1977 - Production Costs, Yields, Farm Income, and Marketing Margins Data

For
Selected Horticultural Crops

Line #	Description	Potatoes	Tomatoes	French Beans	Carrots	Cucumbers	Peas	Artichokes	Bell Peppers	Oranges	Pears	Guava
<u>Farm Costs & Income - Per Feddan</u>												
1.	Production Costs	LE 300	210	100	80	90	80	250	100	300	500	100
2.	Land Rental	50	40	40	40	40	40	50	50	100	100	100
3.	Total Production Costs	<u>350</u>	<u>250</u>	<u>140</u>	<u>120</u>	<u>130</u>	<u>120</u>	<u>300</u>	<u>150</u>	<u>400</u>	<u>600</u>	<u>200</u>
4.	Yield - Tons	7	8	3.5	10	5	3	35,000 *	5	7	9	8
5.	Farmgate Price	73	40	60	20	50	80	1.5 **	60	80	100	50
6.	Gross Farm Income (4x5)	511	320	210	200	250	240	525	300	560	900	400
7.	Less Prod. Costs (3)	<u>350</u>	<u>250</u>	<u>140</u>	<u>120</u>	<u>130</u>	<u>120</u>	<u>300</u>	<u>150</u>	<u>400</u>	<u>600</u>	<u>200</u>
8.	Net Farm Income	<u>161</u>	<u>70</u>	<u>70</u>	<u>80</u>	<u>120</u>	<u>120</u>	<u>225</u>	<u>150</u>	<u>160</u>	<u>300</u>	<u>200</u>
<u>Estimated Marketing Margins - Per Ton</u>												
9.	Primary Buyer/Wholesaler:											
10.	Buy (5)	LE 73	40	60	20	50	80	1.5 **	60	80	100	50
11.	Sell	80	50	90	35	80	110	3.0 **	90	100	200	90
12.	Gross Margin	<u>07</u>	<u>10</u>	<u>30</u>	<u>15</u>	<u>30</u>	<u>30</u>	<u>1.5 **</u>	<u>30</u>	<u>20</u>	<u>100</u>	<u>40</u>
12 A.	Percentage Margin	<u>10</u>	<u>25</u>	<u>50</u>	<u>.75</u>	<u>60</u>	<u>38</u>	<u>100</u>	<u>50</u>	<u>25</u>	<u>100</u>	<u>80</u>
13.	Retailer:											
14.	Buy (11)	80	50	90	35	80	110	3.0 **	90	100	200	90
15.	Sell	90	60	100	40	100	120	4.0 **	100	120	250	100
16.	Gross Margin	<u>10</u>	<u>10</u>	<u>10</u>	<u>05</u>	<u>20</u>	<u>10</u>	<u>1.0 **</u>	<u>10</u>	<u>20</u>	<u>50</u>	<u>10</u>
17.	Percentage Margin	<u>12</u>	<u>20</u>	<u>11</u>	<u>14</u>	<u>25</u>	<u>9</u>	<u>33</u>	<u>11</u>	<u>20</u>	<u>25</u>	<u>11</u>

* Units

** Per Hundred Units

ANNEX Table 9

Egypt (Giza): Farm Area, Gross Income, Farm Expenses, Net Farm Income, and Average Income per Feddan for selected producers, (In Egyptian Pounds) 1977 and 1978.

Producer	1977 <u>1/</u>					1978 <u>2/</u>				
	Total Area Feddan	Gross Income <u>3/</u>	Cash Expenses Paid	Net Farm Income	Ave. Income per feddan	Total Area Feddans	Gross Income <u>3/</u>	Cash Expenses Paid	Net Farm Income	Ave. Income per feddan
A	1.67	932	1270	-338	-202.4	b/	b/	b/	b/	b/
B	2.75	1267	1081	186	67.6	<u>2.75</u>	<u>929</u>	<u>472</u>	<u>457</u>	<u>166.2</u>
C	1.38	587	415	172	124.6	1.38	691	281	410	297.1
D	1.88	433	767	-334	-177.7	b/	b/	b/	b/	b/
E	10.88	2977	1533	1444	132.7	<u>12.75</u>	<u>989</u>	<u>472</u>	<u>519</u>	<u>40.5</u>
F	0.46	74	56	18	39.1	0.46	90	59	31	67.4
G	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	2.54	1342	388	954	376.6
H	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	6.13	2320	861	1459	238
I	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	25.83	7913	8984	-1071	-41.5
Total	19.02	6270	5122	1148	60.4 <u>4/</u>	51.84	14,274	11,517	2,757	53.2 <u>5/</u>

Source: Preliminary data: Ewup Economics Group

- 1/: Agricultural year-October 1, 1976 through September 30, 1977
2/: October 1, 1977 through June 30, 1978
3/: Includes home consumption, crops, livestock, off-farm work.
4/: Average Net Income per feddan in US. dollars for 1977 was \$ 86.37
5/: Average net Income per feddan in US. dollars thru 9 months for 1978 was \$ 76.08
a/: No data for 1977
b/: No data for 1978