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FINAL REPORT

EGYPT SMALL FARMER PRODUCTION PROJECT

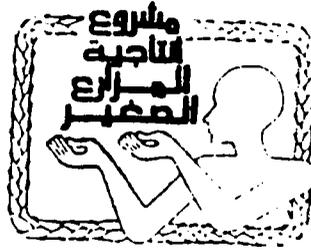
AID GRANT #263-0079

SEPTEMBER 1980 - AUGUST 1987

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SMALL FARMER PRODUCTION PROJECT
AID & Ministry of Agriculture - PBDAC
P. O. Box 258, Dokki - Cairo, Egypt
Telephone : 703790 - 706133
Office : FAO BLDG. Cairo, 3rd Floor:



مشروع إنتاج المزارع الصغير
وزارة الزراعة المصرية - وكالة التنمية الأمريكية
الدور الثالث - مبنى الجمعية العامة للإصلاح الزراعي
صندوق بريد ٢٥٨ - الدقي - جيزة ج. فرع
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July 31, 1987

1An-51696

Chairman Adel Ezzi
Principal Bank for Development
and Agricultural Credit
110 Kasr El Aini Street
Cairo, Egypt

Subject: Final Report of the Small Farmer Production Project -
July 31, 1987

Dear Chairman Ezzi:

It is indeed a privilege and pleasure to bring you this Final Report of the Small Farmer Production Project. This is true as evidenced by the individual reports prepared by Mahmoud Noor, Undersecretary of Horticulture and Director of the Project, myself and the individual members of the technical assistance team which give strong evidence to the fact that the project's concepts now stand ready to be applied for the future credit system of Egypt.

Directly following that statement we want to make it clear that in no way are we, as the reporting body, taking credit for the results of this project. Rather we would point quickly to the fact that the concept is a tried and proven one, revealed around the world that technology wisely and economically applied can make a difference in production; thus the income of small farmers. Therefore, it can be said that proper credit, proper technology equals increased production and increased income for farmers.

A second factor is that Egypt's farmers are no different than any others. If you show them a better way and demonstrate it to them clearly, they will do it, for they love to produce and they enjoy being good farmers. We would also quickly acknowledge the hundreds of Egyptians who have provided direct support to the project from the governorates, from the village banks and the extension staff, subject matter specialists, veterinarians and many others. We are also proud to point out that we leave Egypt with an experienced team that worked with the technical assistance compliment throughout the three governorates in terms of credit, follow-up and stand ready to assist the bank in its continued expansion of this concept throughout Egypt's agricultural credit.

First, a quick reminder of the essentials of the SFPP concept that can be readily applied under Egyptian leadership and, we hope, with the successful support of a new technical assistance team. The concept of the SFPP program included:

- Making loans to small farmers based on need.
- Sound credit including five factors that must be followed:

- (1) Character of the individual - the management of the farmer.
 - (2) Credit position or financial position of the farmer.
 - (3) The capacity to repay the debt.
 - (4) Collateral or security.
 - (5) Credit decision - the basis of approval.
- The SFPP concept promotes an important role for technology that is applicable to Egypt's small farmer.
 - The SFPP concept places in the limelight informed and trained extensionists ready to apply for the small farmer, appropriate technology and to keep it current and contemporary.
 - The SFPP developed an important role for the Subject Matter Specialist in developing packages of technology, crop, live-stock and management production.
 - The SFPP proved that subsidized rates were not necessary if credit and technology were wisely used and, thus, contemporary rates of 14% were readily repaid by small farmers.
 - The SFPP proved that there is a place for block farming for farmers to work together to realize the benefit of technology and mechanization.

There is an opportunity for mechanization for the small farmer, especially based on seed bed preparation, the planting and the use of important technology in soil development, application of chemicals, drainage, etc.

- The SFPP proved that there is an important role for veterinarians in support of a farmer's management of poultry and livestock and related speciality areas of small farmers.

Other factors that were important to the SFPP concept include:

- Loans available as needed for the farmers, not an allocation.
- Delegations properly made to bank loan officers based on their capabilities.
- Development of loan servicing plans that related to the farmer in his situation.

- An opening of marketing for small farmers not required marketing.
- Providing revolving lines of credit for the borrower which simplified the providing of loans to capable, proven borrowers.
- Better loan servicing and also better loans to farmers on a timely basis.
- The ability to serve farmers as they are and as their needs really existed, not from a formula basis.

We will provide the PBDAC with developed SFPP manuals in English and Arabic for the bank's use.

You will find under the Credit Report a complete statistical analysis of the progress of the project from its beginning to the end of the project in the three governorates. We recommend it for your close analysis and understanding of the success of this project for the future of Egypt.

The reporters are quick to admit that they did not accomplish all that they would like to have accomplished through this project as a pilot for the future development of Egypt's agricultural credit and banking system. Let's look at some of the things that remain to be done as a uniform application of this concept is applied to credit and, thus, forms a basis for the banking redevelopment which you are dedicated to pioneering. Following are some of the needs that need to be carefully considered as the future project continues and the leadership to the bank moves forward with its plans:

- A streamlined manual accounting procedure and system.
- The testing of a pilot accounting MIS system in a computer mode.
- Increased portfolio decisions made at the village bank manager level.
- An improved agribusiness lending operations promoted by management of the bank and by feasibility studies on the needs of the small farmer, the world communities of Egypt.
- A need for improved supervisory system for the bank in working with the governorates and the village banks.

- A proven quality control program or audit operations for the entire banking system as administered by the bank through the governorates and village banks.
- An improved savings program including reporting and control systems with timely information to borrowers.
- An appropriate governorate and village bank planning/coordination system with extension and with the total team in the governorate serving farmers and agribusiness.
- An appropriate plan and program to be applied by the governorates and village banks in budgeting and funding of their operations.
- Governorates and village bank funding plan and operations as to their lending programs and the maintenance of their required capital structure.
- The promotion of the funding of new enterprises in rural Egypt to provide jobs and economic growth opportunity.
- The development of a capital structure that relates to the Principal Bank, the governorate banks and the village banks as an operating unit.

Many of these items have had very small beginnings and can be readily developed in the next project. One of the impediments that was obvious in the application of these needs was the fact that the project was a pilot credit project not designed to accomplish all of these areas and was not privileged to work throughout each governorate. It was only in the last year that the project was privileged to have its expansion throughout the Assiut Governorate with the cooperation of the governorate Chairman, the Director of the Project, and the Undersecretary of Agriculture.

Mr. Chairman, as I have indicated in this report, we believe that the pilot project will prove to be very replicable under the able leadership of Egyptian bankers throughout Egypt.

We remind you and your staff that there will be strong and significant requirements in training, development of new lending concepts, new management applications besides addressing the needs of banking development which we have recited in this report.

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Chairman A. Ezzi
July 31, 1987

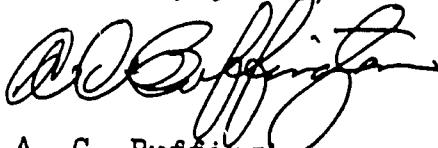
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We urge the bank's officers and yourself to carefully consider the timely development of computerization of the entire banking operations over the next six to seven years. We believe sincerely that an appropriate pilot project will provide the modernization of banking operations, particularly in the area of borrower information, management information and a timely development of personnel administration.

We are impressed with the interest of Egyptian farmers and rural people in developing their own businesses and resolving their own needs. Thus, the bank should give careful consideration to the application of private enterprise including cooperative development.

Chairman Ezzi, please know that based on the success of the pilot project, our experience in working with Egyptians throughout the three governorates, that the technical assistance team which remains for the future of the APCP bridging operation, sincerely looks forward to taking leadership from the bank's APCP/PBDAC leadership team in developing as rapidly as possible the extension of the SFPP concept and the beginning of a bank redevelopment program.

Sincerely yours,



A. C. Buffington
SFPP Team Leader and
Chief of Party for Agricultural
Cooperative Development International

AB/ns

Ref: AB061787.FIN

FINAL PROJECT REPORT
RESOURCE MANAGEMENT SPECIALIST

Professor Maurice de Young
Cairo, Egypt
June 1987

Highlights

The objectives of the Resource Management Specialist are those of the project to:

- I Institutionalize and enhance the successful Small Farmer Production Project so that it can be replicated.
- II Assist in development of training resources to train trainers and to insure continued training operations. Achieve progress in human resource development necessary to institutionalize the SFPP concept in eleven additional governorates.
- III Assist the PBDAC in its 100% expansion of SFPP concepts in eight additional governorates.

- I The first assignment relative to above was to prepare analysis of the PBDAC and to examine possibilities for restructuring the bank and institutionalizing the concept of separation of basic functions.

Papers prepared for the SFPP consideration included restructuring into three basic units: credit, services (in particular fertilizer for M.O.I.) and sales and service after sales (in particular, sales of farm equipment and servicing of these units). These three units were conceived as functioning independently and under the control of a central holding company.

The Thatcher denationalization method now successfully employed in France as well as England was described and recommended as the most practical way to move from national sector to private sector control and private ownership.

An analysis of the structure of the fertilizer subsidy was prepared after extensive research inside PEDAC with the cooperation of the PBDAC fertilizer division.

The problem of allocation and the requirements for storage present and required were examined. The financial requirements for increasing storage facilities from about three weeks to five months holding capacity was seen as a sine qua non to moving the system to private sector. The distribution system is institutionally within the PBDAC and as the M.O.I. simply produces at full capacity the burden is entirely on the PBDAC which has never been allocated the funds required to build adequate storage. The SFPP engineer indicated that considerable losses were sustained in nature of the quality of the product.

Land leveling and mechanization papers were prepared with the collaboration of Mr. Iven Ose, the SFPP farm related business specialist. Discussions were conducted with the relevant entrepreneurs and a cooperative laser test program was planned and carried out in Assiut as a joint SFPP/private enterprise contractor experience. These contractors have continued their services which are spreading to other governorates.

Again, with Mr. Ose, an effort in cooperative development within the banana industry was made with the participation of the Assiut PBDAC branch banks. This has resulted in the first banana cooperative whose efforts and experience can be used to replicate this private enterprise institutionalization of the industry to Quena and Aswan, the two major southern banana producers. This is a 500,000 ton industry with a value added at LE 500 million and still growing. It is becoming one of the major private sector industries in agriculture under cooperatives.

II Training efforts have been concentrated in two areas. Mr. Badr El Din was selected as the specialist's counterpart and he has been trained to provide commerce and business economic services to the PBDAC and the SFPP.

Training within both the PEDAC and the ARC have been project oriented specifically with relation to the banana and pulse development. These efforts have involved three missions: 1. Europe, 2. Central America, and 3. Taiwan ROC. Many reunions and work shop-type meetings both in Cairo and Assiut have contributed to the progress of this effort. These training meetings have involved the PBDAC Assiut staff, the M.O.A. banana extension group, the Assiut University Plant Protection unit, and the ARC legume group.

A major effort has been made to institutionalize the concepts of empirical research and then to apply it to practical trials in the field and the development of horticultural field training packages. This has been a major success in the banana industry and in the legume area very great progress is being made. Entirely new concepts have been introduced and have won wide acceptance by Egyptians at all levels from farmers to research theorists at the PhD level.

III What is a Resource Management Specialist? Essentially, the management of resources is an enterpreneurial function by the definition that management's task is to control resources in the productive process.

In agriculture, this implies a very considerable knowledge of the state of the arts and the development of research to enhance and apply that knowledge. Since the context is one of the private sector, it is also essential for resource management to be sensitive to the demands of the market and

to conduct detailed research as a guide to setting production goals and the control of cost centers. Further, in a banking or credit context the reinforcement of the client and the effective use of credit is a further function in the sense that effective use of credit leads to expansion of productive loans and greater supply support for the entire economy.

Only through the progress from the present level of output to the level of state of the arts within the constraint of reasonable return to the entrepreneur and the consumer can the above be achieved.

For example, the accepted level of state of the arts output for commercial grade banana prime fruit output is 60 tons per hectare of 25 tons per feddan. In Egypt today average farmer output is 8 - 9 tons. This is clearly an unreasonably small output result.

The resource management specialist must analyze how the 25 tons per feddan figure was reached. What is the Egyptian farmer doing that keeps him from reaching this standard? Are there climatic or other environment constraints? Is the marketing chain effective in providing an adequate return for present and further costs and investment?

After these questions are answered an effective and realistic program must be introduced and gains institutionalized.

In the banana industry the following unseen costs were found to be involved:

1. Inadequate selection of plants - cost 25%

2. Failure to provide a high constant level of plant protection - cost 15%

Thus, these identifications were enough to begin a program as 25 and 15% losses could be eliminated, resulting in a 10-ton gain per feddan which would add LE 9,000 value to each feddan's output at present farm gate prices.

The capital costs of selection via "intro cloning" would represent an initial investment of LE 3,000 and LE 750 in labor costs, or LE 1,200/yr. over a three-year plantation life. This phase of the venture is now in operation and presently plants and "in vitro" cutting are meeting demand (from orders - about 1,500,000 for 1987/88) through private sector import and local nursery wholesaling. There are discussions in progress to produce a commercial laboratory here for "in vitro cloning". This will buckle the production cycle.

During the past year a plant protection unit operating under SFPP with Assiut University has designed and field tested control methods for "bunchy top". These experiences indicate the possibility of 100% success in controlling this disease presently effecting 13% of plantations in Assiut. The next stage will take place during three months next Winter, in applying the package to 2,500 feddans in the Assiut Governorate. If the methodology can be perfected from this large scale application of the package, it can be replicated to the rest of the banana plantation areas. This means not only a 10 - 13% gain in production, it is also insurance against catastrophe because in Fiji and Queensland, Australia favorable circumstances for the disease have destroyed 60 - 90% of plantations in a single year. In Egypt that would represent a LE 300 - LE 800 million loss and default of bank loans

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On the consumer side, it is worth noting that the banana has the same role in the semi-tropics and tropics as the potato used to have in Europe before the virus struck in the 1850's which caused the enormous loss of life and the great immigration of Irish and Germans to the U.S.A. On balance the potato and the banana have essentially the same nutritional characteristics (protein, hydro-carbons, fat and minerals), but bananas are a very little more so and more easily digestible. This has made them a prime item in the USA for undernourished children.

The major credit for bananas is that ton for ton although equally nutritious, it out-produces white potatoes on a physical product output basis with about a maximum of 60 tons per hectare of the former and about 45 tons per hectare for the latter. However, as mentioned, poor extension services, little plant protection and miserable selection practices reduce the banana output to only 25 tons per hectare. This has been the SFPP primary target and the means are now coming into place to "catch crop" the banana winter harvest with mung beans. This will add one ton plus of 25% protein and 65% total digestible nutrients to the diet return of each feddan to reinforce the low (1.4%) protein content of banana product (not dry weight basis).

Obviously at LE 900/ton the banana is a highly competitive crop for farm acreage even at 10 tons per feddan. At 50 tons per feddan, it may test the demand curve and the results will, as was the case with tomatoes, also benefit the consumer while still increasing farmer income. The project has as well introduced the principle of loaning enough to banana producers such that they have largely escaped the market loan buyers and this has increased producer income and thorough competitor lowered market price in the cities. It is really essential for the evaluators of this

effort in bananas to understand that under Egypt's conditions this is not an effort to produce a luxury fruit for the upper-class market, it is an effort to get a basic food to the general population and reduce the proportion of wheat consumed and imported into Egypt. Thus, the doubling of the banana output from 25 tons per hectare to 50 tons per hectare would at present (1987/88) acreage add 500,000 tons of food product equivalent or with mung beans superior to white potatoes. Even so, this is only one banana per week per capita Egyptian population, so there is little danger of over-production at this level. There is also a very great future possibility of modest banana exports, particularly after 1992 when the Treaty of Rome removes quota preferences and licensing in the EEC countries. Present prices of U.S.\$1,000/ton will certainly drop when competition opens this market but by then the farm gate cost of bananas of superior quality will not be as much than 10% of this figure per ton export quality (U.S.\$100 x 20 tons feddan) even allowing for a substantial inflation rate. At U.S.\$300/ton C&F Europe, Egypt would have an enormous value added in hard currencies from the EEC. The EEC market is roughly 3 million tons plus Scandinavian countries and Austria in the hard currency area and the Concom countries in the trade contract or barter area and even 10% of this market could pay for a lot of essential imports for animal feed like soya bean cake needed to sustain the high protein milk and poultry output.

It is my hope that by this example the work of a resource management specialist is made more understandable and in concrete terms.

The application of these principles in "catch cropping" is another example.

A "catch crop" is not mere intercropping. A catch crop fits into a major crop using those lands, radiation and water which are surplus to the main crop and hence wasted.

Thus, the catch crop uses radiation for photosynthesis which the growing main crop does not use. The young main crop has perhaps a 25 - 35% evapo-transpiration rate, hence the water which would be removed from the exposed naked soil is taken up instead by the catch crop. Since the nature of the roots or other feeding structure is not competitive it does not compete for soil nutrients with the main crop. This may imply adding chemical fertilizer to the catch crop but when the catch crop can be a legume which is inoculated there is very likely a net increase in fertility rather than an even break.

In Egypt about 500 - 600,000 feddans (about 10% of cultivated land) is susceptible to catch cropping. With legume values of about U.S.\$300/ton farm gate that means the target is an increase of LE 326,250,000 per annum to LE 400,000,000 per annum at current exchange rates. Actually, "Great Northern" U.S.A. beans are currently quoted Gulf Port at U.S.\$612, 1986 crop, or more than twice the figure above.

It has been recommended that the mung bean or other legume be used. There will be a net gain on nitrogen of 33,000 tons after equivalency discounting of P₂O₅ additions cost. This is not negligible for a country like Egypt where new lands can be developed only at very high cost and imported fertilizer eat up needed foreign exchange.

A last mention of what a resource management specialist can and did do in Egypt is the location of valuable wasted products. In this case, waste from canning (tomatoes, mangoes and citrus) and under-utilization of slaughterhouse

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waste. Thousands of tons were evaluated and reported to the M.O.A. during the 17-month term of the specialist. There were, of course, support functions to the various other SFPP teams and management as the specialist also was named as Administrator for the PBDAC branch.

Perhaps, however, the most important function can not be quantified? It was the introduction of new concepts and the training of high level bank and M.O.A. members and a counterpart in these methods of inquiry and how to put the research to a practical end for the benefit of the small farmer. This included research of many products not named above and a major study (80 pages) of the Pulse Marketing for Egypt.

It has been a busy, but very rewarding 17 months.

MD/ns

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SAID & Ministry of Agriculture - PBDAC

P. O. Box 266, Dokki - Cairo, Egypt
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FINAL REPORT
NEWTON J. GUDERYON
TRAINING SPECIALIST
FOR
SMALL FARMER PRODUCTION PROJECT
16 APRIL 1986 - 31 JULY 1987

The assignment as Training Specialist began on 16 April, 1986 following the departure of Training Specialist Emilio Garza. Total length of assignment was 15½ months.

The written job description for this position was very broad, listing 14 items and covering the entire range of training activities envisioned during the life of the Small Farmer Production Project. It had been written when a single training adviser served the entire project. However, because SFPP was by then employing three training specialists, because many of the SFPP concepts were already incorporated into on-going training programs and because the expanded schedule of SFPP field training was already being presented by a cadre of Egyptian MOA and PBDAC trainers, a concentration of effort by each of the training specialists on certain elements within the general job description was possible.

A majority of my time and effort was spent in a single item of the job description, number 12, "plan and implement overseas participant training which includes orientation evaluation and needs assessment. Advise on availability and utility of overseas training program." Overseas participant training by the SFPP had fallen behind schedule due to procedural difficulties, lack of English language proficiency amongst the potential participants and the general preference by project management to emphasize in-country training.

Comprehensive plans for participant training for the balance of the project were developed in July 1986, revised in November - December 1986, and revised again in April 1987. Each time training needs were discussed with all of the SFPP advisers, project directors and with many counterparts and officials from PBDAC. The continuing constraint of finding qualified English speaking participants precluded overseas training in some fields such as computerization and agribusiness lending and limited the number of participants in other fields such as credit quality control. For some training programs non - English speaking participants were accommodated by having one of the English speaking participants serve as translator or by scheduling

training in a third country where Arabic is spoken. Eventually a group of PBDAC and MOA employees were enrolled in an English course at A.U.C. to help participant raise their scores on the ALIGU (English Language) test and thereby qualify for overseas training. While this training in February - April of 1987 was too late to have a large effect in the SFPP, the benefits will carry forward to the APCP. The following table summarizes the overseas participant training accomplished during the 15 months:

<u>No. of Part.</u>	<u>Title</u>	<u>Type of Tr.</u>	<u>Country</u>	<u>Duration</u>
2	Poultry Pathology	Short Course	USA	6 Weeks
2	Farm Cr. & Agri. Coops	Study Tour	USA	16 Days
4	Sm. Farm. Cr. Pol. & Admin.	USDA Sh. Cs.	USA	6 Weeks
5	Poultry Dis. Diag. Treat. & Prev.	Short Course	Turkey	1 Month
17	Farm Cr. & Agri. Coops.	Study Tour	USA	2 Weeks
11	Ag. Extension & Coops.	Study Tour	USA	2 Weeks
1	Banana Prod. & Marketing	Study Tour	Hond. & Pan.	3 Weeks
10	Tunnel Veg. Nurseries	Study Tour	Jordan	1 Week
2	Internal Auditing - Credit Qlt'y. Cnt'l	Seminars & OJT	USA	1 Month
2	Drip Irrigation	OJT	USA	1 Month
1	Mung Bean Production	Short Course	Taiwan	1 Month
6	Ag. Dev't Bank - MIS & Acct.	Study Tour	Thailand	2 Weeks
9	Ag. Dev't Bank - Farm Inputs	Study Tour	Bangladesh	2 Weeks

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Other significant activities included frequent consultations with the governorate BDAC Training officers in Assiut, Kalubia and Sharkia. During this period the number of village banks served by the project increased from 38 to 79. This necessitated an intensive training program within each governorate to train the new loan analysts, farm extension agents, village bank managers, accountants and supervisory staff in SFPP policies and procedures. The SFPP training specialists, working as a group, provided advice, helped to organize and schedule the sessions,

recruited instructors, gathered material and helped to evaluate the training. Because this training was conducted in Arabic the primary responsibility for supervision was assigned to Mr. Samir Sultan, the local Training Consultant hired by the project.

A significant amount of time was spent in the planning of training to support a dairy cow import program proposed by the SFPP. Plans were laid to train farmers, extension agents, veterinarians and artificial inseminators in the feeding, milking, care and breeding of high producing dairy cows to be imported from the U.S.. These cattle were available at favorable prices due to the whole herd buy out program being undertaken by the USDA in an effort to reduce the milk surplus in the U.S.. However, this import program was not approved by AID because of their preference to have the SFPP make more loans for crop production and less for livestock production.

An English language training course through the American University in Cairo was organized. Eighteen employees of PBDAC or the MOA who had at least an intermediate level of English and who were logical candidates for future training in the U.S. were selected from a group of 40 nominees. They completed a 60 hour course to improve English grammar, reading comprehension, vocabulary and listening ability.

Since the project had invested in a video camera and wished to put some of the project training on video tapes for future use an attempt was made to initiate video production. The subject selected for the first effort was "The Advantages of Using a Drill to Plant Wheat." To get production at the least cost MOA facilities at the Barrages Management Development Center and a MOA cameraman were used. The production effort failed due to lack of expertise in all of the people involved. Future projects will be better served by contracting with professional video producers to meet specific needs.

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P. O. Box 256, Dokki - Cairo, Egypt
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FINAL REPORT
HUMAN RESOURCES DEVELOPMENT AND TRAINING
BY
SAMIR SULTAN
JULY 18, 1987

6. Training programs monitoring and evaluation modern techniques and analysis started to be introduced but still needs more effort.
7. Assist with ACDI T.A. team members to facilitate their work needs by personally providing:
 - a. English/Arabic/English interpretation
 - b. Written material translation (English/Arabic/English
 - c. Provide access for appropriate contacts with Egyptian key leaders at PBDAC, MOA - GDT and Ag. extension services department
 - d. Assist in carrying out procedural steps from the Egyptian side for English language courses and overseas training.
8. More than 126 In-country training courses and 7 seminars directed to more than 682 employees with a total of 10.087 person/days training covering credit, farm management, management training, TOT and agribusiness lending areas were my areas of activity since I joined SFPP staff in April, 1986.

Essential Progress Areas Still Needed:

1. A comprehensive training of trainers policy
2. A developed system for training efficiency and effectiveness evaluation.

Significant Achievements:

1. The formation and maintenance of the "Human Resources Development and Training Leadership Committee" which included permanent representatives from:

- PBDAC Training Department
- MOA General Department of Training (GDT)
- Centre for Management Training (CMD)
- MOA - Ag. Extension Services Department
- SFPP T.A. Training Component
- Ag. SMS
- SFPP T.A. Farm Management Team

The role that this committee played thru my counseling and technical support resulted in the institutionalization of up-to-date training methodologies and successful practices.

2. The entire conviction prevailing now about the merits and the fruitful accomplishments of coordinating training efforts between credit and Ag. extension training institutions.

3. The establishment, furnishing and equipping of the training centres and providing technical training consultations on training centres management and day-to-day running are now realized and in use at PBDAC training department and the 3 Governorate BDACs.

4. Real training needs assessment methods, training planning and scheduling curriculae and material development become substantially maintained .

5. The belief, adoption, practice and developing of modern training techniques that include use of lecture methods, case studies, discussion groups, audio visuals, etc., are now professionally exercised in the PBDAC training department.

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3. The establishment, furnishing and equipping of the training centres and providing technical training consultations on training centres management and day-to-day running are now realized and in use at PBDAC training department and the 3 Governorate BDACs.

4. Real training needs assessment methods, training planning and scheduling curriculae and material development become substantially maintained.

5. The belief, adoption, practice and developing of modern training techniques that include use of lecture methods, case studies, discussion groups, audio visuals, etc., are now professionally exercised in the PBDAC training department.

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6. Training programs monitoring and evaluation modern techniques and analysis started to be introduced but still needs more effort.

7. Assist with ACIDI T.A. team members to facilitate their work needs by personally providing:

- a. English/Arabic/English interpretation
- b. Written material translation (English/Arabic/English
- c. Provide access for appropriate contacts with Egyptian key leaders at PBDAC, MOA - GDT and Ag. extension services department
- d. Assist in carrying out procedural steps from the Egyptian side for English language courses and overseas training.

8. More than 126 In-country training courses and 7 seminars directed to more than 682 employees with a total of 10.087 person/days training covering credit, farm management, management training, TOT and agribusiness lending areas were my areas of activity since I joined SFPP staff in April, 1986.

Essential Progress Areas Still Needed:

1. A comprehensive training of trainers policy
2. A developed system for training efficiency and effectiveness evaluation.

FINAL REPORT
AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
JULY 1987

Jeffrey G. Sole ¹⁶ 
Management & Training Specialist
July 14, 1987

Management Training Programs

A study of the PBDAC governorate banks and the Principal Bank in Cairo was carried out in the first six months of this assignment. This study concentrated on the governorates, branch, and village level and to a lesser extent, the head office. A sample of job descriptions, job categories, performance evaluation, and the patterns of employee distribution was the first focus. This study, which was done in conjunction with Egyptian consultants from the Center for Management Development at the Barrages, was then widely used for the development of management training programs, and the formulation of policy and procedures review for the institutional development of bank.

The study on management practices concentrated on a random sample of village banks in the three governorates where SFPP was active. As a result this consultant designed and implemented a comprehensive management training program with the Center for Agricultural Management Development and carried out in over 70 project banks within the Principal Bank for Development and Agricultural Credit.

This consultant completed a study in a three-year plan of implementation for the head office of PBDAC on Management Policies. This included recommendations for systems management planning and development of a nationwide application, including a step-by-step operations management services development. The advisor also identified 12 functional sectors for future key leadership training under the APCP program. Management training for PBDAC will need continuous development and technical assistance.

The management training courses have been evaluated by the participants and through a pre and post testing methodology as being highly successful. These tailor-made programs are now being expanded into eleven additional governorates, and all indications seem to point to continued utilization of these programs in the next few years for the Principal Bank.

Coordination of Training

This advisor continued the work of upgrading and development of the Training Department of the Principal Bank of Development and Agricultural Credit. This included curriculum development, subject matter training and the enhancement of publications and materials. A coordination of an institutionalization of major technology transfer through a comprehensive training program in banking and credit, farm management and extension services, and management training was carried out. The results achieved in training had a direct bearing on increasing production from 56% to 184% in selected agricultural activities. The results of increased loan activity after training is another indicator of the success of the comprehensive training programs. The training also improved the work capabilities of these institutions to cover potential nationwide applications of operations and management practices of individual bank units.

This consultant coordinated a team of 14 Egyptian training specialists in the areas of management, banking, and agricultural specialities, effecting over 6,000 man-weeks of in-country training which involves 88 lecturers and trainers. The Human Resources technical team included the SFPP Egyptian training assistant, the training director of PBDAC, the director general of the MOA General Department of Training, the representatives of the Extension Services Department of MOA, and a representative of the Center for Management Development at the Barrages.

The consultant carried out the supervision of the translation in Arabic of the Procedures Manual outlining the modifications and adjustments needed in management practices, credit and banking, and farm management. This Procedures Manual will need continuous development in the future and should be one of the major activities of Technical Assistance team through this next year.

The consultant developed a computerized data bank for the identification of trained employees by type, position, location and other key classification data by utilizing his own personal computer. The objective achieved was to demonstrate computerized management and staffing in Human Resource Development, training, and employee related matters. The computerized data bank has not been fully developed due to the lack of a comprehensive computerization program.

SFPP MEMORANDUM

FINAL REPORT - FARM RELATED SERVICES SPECIALIST

AGRIBUSINESS AND COOPERATIVE FINANCE AND LENDING TRAINING

Progress Made:

1. A complete program specifically for agribusiness and cooperative finance and lending was prepared. It included a lending guide (credit manual), financial forms, loan preparation documents (credit report), and loan agreement. Materials for a six-day training course were also prepared. All these materials are in English and Arabic.
2. A total of 34 staff from the BDAC system received at least 10 hours of training. This includes 8 counterparts in the PBDAC and governorate banks, 18 staff in the PBDAC who received 10 to 20 hours of training, and 8 financial analysts in Assuit who participated in a six-day training course. These activities were carried out with the cooperation and coordination of the SFPP training component and the PBDAC training department.
3. An agribusiness and cooperative finance and lending seminar was requested by PBDAC Vice Chairman Mourad Mohammed Aly for top management of four governorate banks, Dakahlia, Gharbia, Kalubiya, and Assuit as well as key leaders from the PBDAC. My counterparts and I, in coordination with the PBDAC Training Department and SFPP Training Specialist Samir Sultan made the presentation on June 10, 1987. Subsequently, Mr. Aly named a committee consisting of representatives of the four governorates as well as PBDAC staff to (1) review the entire agribusiness lending program presented, (2) make additional changes if needed in order to adapt it to the Egyptian environment, and (3) over time, implement the usage of the forms and entire program throughout all 17 governorate BDACs. Mr. Aly further directed the training department, my counterparts, and myself to carry out three additional seminars for governorate BDAC key staff before the end of July. He further directed that training commence as soon as details could be worked out.

Challenges Encountered:

The main obstacle to progress in the past has been the lack of aggressive support from governorate BDAC management staff. In Assuit the lack of management for the newly trained agribusiness lending staff resulted in little new agribusiness lending activity in spite of the high demand for agribusiness loans.

Response to Challenges and Results:

With the help and coordination of the SFPP training specialist, the entire question of agribusiness lending implementation, management, and training was presented to Vice Chairman Mourad Mohammed Aly. Mr. Aly called for the seminar and directed the implementation of actions mentioned above with the approval of PBDAC Chairman Adel Ezzi.

Crucial Implementation Steps Needed:

1. Assist the PBDAC training department in the preparation and presentation of the three seminars to be carried out as directed by PBDAC Vice Chairman Mourad Mohammed Aly. These seminars are aimed at the upper management of the governorate BDACs in Gharbia, Dakahlia, Kalubiya, and Assuit.
2. Assist the PBDAC training department and APCP training component in carrying out training in the four governorates mentioned.
3. Provide counseling on the appropriate management structure for the agribusiness and cooperative lending activity at the governorate BDAC and PBDAC level.
4. Assist the governorate BDACs and PBDAC in the development and implementation of agribusiness lending in four governorates on a pilot basis. Monitor implementation of the program to insure its proper utilization.
5. Cooperate with the Quality Control Component to facilitate a sound credit review system for agribusiness and cooperative loans.

FARM PRODUCT MARKETING - BANANA COOPERATIVE, AND OTHER COOPERATIVE DEVELOPMENT

Several meetings were held with the Ministry of Agriculture's cooperative director, Mr. Aly Abdel Rahman. He requested and I prepared an analysis of the Egyptian cooperative law 120/1980 to determine possible effects on the formation and viability of independent farmer-owned cooperatives in Egypt.

A banana marketing cooperative in Assuit was formed after the support of the BDAC and MOA directorate office in Assuit were obtained. A preliminary operational guide was prepared by SFPP and FBDAC staff to assist the board and management begin operations. APCP may consider finding and placing an advisor in Assuit to help the cooperative as it begins its operations.

Contacts were made with other major cooperatives including the national level potato cooperative and the animal wealth (livestock) cooperative. Follow-up on these should be continued.

AGRIBUSINESS DEVELOPMENT

A guide to be utilized by governorate BDAC level mechanization specialists was prepared as part of the agribusiness and cooperative finance and lending activities. It gives procedures used to instruct machinery dealers and sub-dealers in effective machinery merchandising techniques including field demonstrations and after-sale service.

Efforts were made to coordinate with the office of the directorate of agriculture in Assuit in the development of seed and chemical dealers. Information seminars for seed and chemical dealers should be held. They should provide information on new seeds and chemicals which are available and suitable to the local area. Seed and chemical importers and manufacturers operating in Egypt should be invited to participate as well. A guide for seed and chemical specialists in the governorate banks should be developed for the purpose of helping them instruct seed and chemical dealers in merchandising techniques. These techniques should include the sponsoring of field trials and demonstrations. Efforts must be made to encourage major seed and chemical dealers and importers to develop sub-dealer networks which can effectively merchandise their products in a competitive environment.

Efforts should be made to initiate a machinery dealer, importer, and manufacturers' association. Help to initiate similar associations for seed and chemical dealers, feed dealers, and other farm supply and marketing industries may be considered in the more distant future.

Land Leveling - With project help, a local firm has begun land leveling in Assuit. Additional steps needed include helping the firm in financial and business planning as well as obtaining financing through the BDAC-Assuit.

An initiative was made by a local firm to begin assembly and partial manufacture of a potato planter after coordinating a meeting between the two parties, potato cooperative staff and the local firm. This and other initiatives should be followed up and continued.

SMALL FARMER PRODUCTION PROJECT

END OF PROJECT REPORT

FARM MANAGEMENT SPECIALIST/POULTRY

SFPP Poultry

In ten years Egypt has become self-sufficient in eggs and produces over 70% of the broiler meat required by its population. The Small Farmer Production Project working in the poultry area, was challenged to solve the problem through technology and sound credit, of allowing small farmers to compete poultry normally dominated by large scale agribusinesses and efficiencies of scale.

Early in the years of the project, batteries of 96 hens were distributed to farmers and loans made to broiler producers. By 1985 over 50% of loans made by SFPP were made to poultry.

Poultry Improvement Committee

In response to the challenge of having small farmers compete in poultry, in 1985 a committee was formed in SFPP and named the PIC (the Poultry Improvement Committee) to analyze the problems facing small farmers producing poultry and to seek solutions. The committee members were: Anwar Hassan (SFPP Follow-Up), Dr. Nabil Tanios (National Veterinary Laboratory), and Dr. Hamid Abl Reheim (National Veterinary Service). This committee began work in early 1985 by visiting the farmers and areas served by SFPP.

Poultry Package

In mid-1985 a poultry package was written by the Poultry Improvement Committee including the poultry management efforts needed by the extension agent, veterinarian, and farmer. Strong emphasis was placed on effective immunization, regular veterinarian visits, good battery site selection, and supervision of pullet rearing, reinforced by 20 week old pullet selection.

A result of the use of Poultry Package mortality in the Egg Batteries dropped from 35-25% to 20-14%. The effects of adopting the poultry package were realized by the farmers and extension agents adopting fully the recommendations of the PIC, net revenue rose 175 LE per battery. Feed prices rose from 210 LE a ton in 1985 to 310 LE a ton in 1987. Shortages of feed resulted in feed rising to 450 LE a ton during short periods in 1987. Good management was necessary to stay in the poultry business in 1986 and 1987.

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Poultry Budget

Poultry budgets were developed by the project to demonstrate the cost and benefits of the adoption of the poultry package as well as the cost of local production of large 60,000 hen operations. The 60,000 hen operations cost were compared to the small farmer where the small farmer could produce eggs for approximately 1.0 piasters cheaper per egg. This low cost of production for the small farmer was due to low cost locally produced batteries, use of surplus family labor, and underutilized housing space, such as roof tops.

Training

Formal training was given to the Extension Agents and Veterinarians using the poultry packages as well as informal training given during the normal follow-up of the PIC. All of the veterinarians are planning to take the Master in Veterinary Science in Poultry. The Veterinarians will work for the project half time and study half time.

Laboratories

Support service and laboratories have been a constraint to the project. Most laboratories are poorly funded or located far from user location, making effective use difficult. The project has had good support from the National Veterinary Laboratory and submits all pullets to laboratory for testing 20 days before distribution.

Planning

Detailed plans have been established for pullets distribution, feed deliveries and veterinarian visitation.

Farm Management

Using the poultry package as a model the Farm Management Committee, FMC, has developed a computerized format for presenting the inputs needed for the crops grown in Egypt. These crop packages allow the farmers to evaluate new technologies, compare returns of different crops, are used in planning of credit and input needs, and training of new extension agents.

Computer Use

Sixteen users of the computer have been trained to make feasibility studies, updatable by the computer. A spreadsheet and other programs have been identified and used for planning, budgeting and controlling the Farm Management effort of SFPP.

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Unfinished Work

The unfinished work in poultry and farm management is to successfully institutionalize all the progress and accomplishments of SFPP in the MOA.

TW/ns

Ref: TW062387.EN

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FINAL REPORT

SAAD A. NASR, MIS SPECIALIST
THE SMALL FARMER PRODUCTION PROJECT
CAIRO, JULY 1987

1. INTRODUCTION

THE POSITION OF SFFP MIS SPECIALIST WAS FILLED IN APRIL 1986. IN ADDITION TO THE SPECIFIC MIS DUTIES, THE FUNCTIONAL RESPONSIBILITIES OF THE MIS SPECIALIST INCLUDED ACCOUNTING WHICH WAS COVERED JOINTLY WITH MR. TONY MONACO, CREDIT AND QUALITY CONTROL SPECIALIST. THE SFFP MIS SPECIALIST WAS THE PROJECT LEADER FOR THE FEASIBILITY STUDY PROJECT AT PBDAC WHICH WAS UNDERTAKEN BY A CANADIAN CONSULTANT FIRM AND FINANCED BY CIDA (THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY).

IN THE SIXTEEN MONTHS PERIOD, THE MAJOR WORK ACHIEVED BY THE SFFP MIS INCLUDED THE FOLLOWING:

2. DEVELOPING MIS STRATEGY FOR PBDAC.

THE DEVELOPED MIS STRATEGY AIMED AT INITIATING THE COMPUTERIZATION PROCESS AT PBDAC IN SUCH A WAY WHICH WOULD PERMIT PHASED IMPLEMENTATION AT THE GOVERNORATE AS WELL AS AT THE PRINCIPAL LEVELS. THE PROPOSED STRATEGY FEATURED:

- 2.1 THE RATIONALE AND JUSTIFICATION FOR THE COMPUTERIZATION ENTRY LEVELS AT PBDAC.
- 2.2 THE IMPLICATIONS OF COMPUTERIZATION AT PBDAC AND ITS BRANCHES.
- 2.3 THE MIS ORGANIZATIONAL REQUIREMENTS INCLUDED HUMAN RESOURCES; STAFFING AND TRAINING REQUIREMENTS.

THE PROPOSED STRATEGY WAS DESIGN TO SUPPORT THE EXPANSION OF SFFP AND ITS PLANNED FORMALIZATION AND REPLICATION.

3. THE KALYOUBIA COMPUTER MODEL.

THE SFFP MIS PROPOSED THE IMPLEMENTATION OF A COMPUTER MODEL AT THE GOVERNORATE BRANCH OF KALYOUBIA. THE OBJECTIVES OF THIS MODEL WERE TO IDENTIFY:

- 3.1 THE DEVELOPMENT REQUIREMENTS AS WELL AS TRAINING REQUIREMENTS FOR PBDAC COMPUTERIZATION NEEDS.
- 3.2 THE DEVELOPMENT AND IMPLEMENTATION CONSTRAINTS FOR THE PURPOSE OF REDUCING THE UNKNOWNNS AND INSURING BETTER SUCCESS FOR COMPUTERIZING THE BANK AND ITS BRANCHES.

4. HARDWARE MODEL REQUIREMENTS.

SFFP MIS PRODUCED THE HARDWARE SPECIFICATIONS FOR THE SUPPORT OF THE KALYOUBIA MODEL, INCLUDING THE SPECIFICATIONS OF THE REQUIRED HARDWARE NEEDED FOR TRAINING.

5. SFFP DOCUMENTATIONS.

THE SFFP CREDIT METHODS AND PROCEDURES WERE DOCUMENTED BY MIS AND A FORMAL COMPANY LIKE OPERATIONS MANUAL WAS PRODUCED FOR REFERENCE AND FOR TRAINING. THIS MANUAL INCLUDES FORMAL AND STANDARD FLOWCHARTS OF ALL THE ADMINISTRATIVE AND CLERICAL FUNCTIONS OF SFFP CREDIT EXTENSION POLICIES AND PROCEDURES.

6. PRIAC CHART OF ACCOUNTS.

WORKING WITH A USER GROUP FROM THE PRINCIPAL BANK, GOVERNORATE (KALYOUBIA), DISTRICT (TOUKH), AND ALL SEVEN TOUKH VILLAGE BANKS, A NEW CHART OF ACCOUNT WAS DESIGNED WHICH REFLECTS THE NEW ACCOUNTING POLICIES AND PROCEDURES PLANNED FOR THE VILLAGE BANKS AND PERMITTING VERTICAL AND HORIZONTAL CONSOLIDATION OF THE BANK'S OPERATIONS ON ALL THREE LEVELS PLUS THE PRINCIPAL LEVEL.

A NEW CODING CONVENTION WAS DESIGNED FOR THE CHART OF ACCOUNTS INCLUDING THE CODING OF ALL THE BANK'S SUBSIDIARY LEDGERS AND GEOGRAPHIC LOCATIONS (BANK UNITS).

APPROPRIATE ARABIC PROGRAMS WERE WRITTEN TO MAINTAIN THE NEW CHART OF ACCOUNTS.

7. GENERAL LEDGER SYSTEM.

A COMPUTER BASED GENERAL LEDGER SYSTEM WAS DESIGNED FOR PBDAC AND ALL ITS UNITS AT THE VILLAGE, DISTRICT, AND GOVERNORATE LEVELS. THIS NEW SYSTEM WILL BE FIRST IMPLEMENTED AT KALYOUBIA AND WILL LATER BE REPLICATED ACROSS ALL THE GOVERNORATES UPON COMPLETION.

8. MIS AND ACCOUNTING TRAINING REQUIREMENTS.

RECOGNIZING THE NEED FOR WELL TRAINED RESOURCES CAPABLE OF CARRYING ON THE COMPUTERIZATION PROCESS AT PBDAC, AND RECOGNIZING THE NEEDS TO HAVE IN PLACE CADRES OF PROFESSIONALS WHO CAN MANAGE AND ADMINISTER THE PLANNED AND FUTURE HARDWARE AND SYSTEM APPLICATIONS, MIS AND ACCOUNTING TRAINING REQUIREMENTS WERE IDENTIFIED INCLUDING COURSE WARE, MATERIAL, TRAINING SUBJECTS, METHODS OF TRAINING, TRAINING DURATION AT THE COURSES LEVEL, TARGETS AND OBJECTIVES.

9. OUTSTANDING.

THE FOLLOWING ITEMS ARE OUTSTANDING AND WILL BE TARGETED FOR COMPLETION DURING THE BRIDGING YEAR (AUG. 1987 - AUG. 1988):

9.1 MIS STAFF TRAINING.

9.2 THE GENERAL LEDGER IMPLEMENTATION.

FINAL REPORT

George L. Ellis, Farm Management/Livestock
July 1987

I Introduction

The author arrived in Egypt on February 20, 1986. He assumed his general responsibilities of becoming familiar with Egyptian institutional roles, agriculture and constraints to projects implementation and expansion. Also he assumed specific responsibilities of acting as a resource person for farm management/livestock, developing and evaluating new practices and examining new technologies for small farmers of the SFPP project. Part of his duties were to organize a livestock production improvement committee and develop a livestock improvement package.

II Justification for Choosing Areas for Major Effort for Livestock Improvement

It became obvious from the outset that livestock production is low and Egypt does not produce its needs. The principal reasons being the genetic capability of the animals and the availability of feedstuffs especially during the summer months. Farm animals feed on berseem clover for about six months of the year (roughly December - May). While for the rest of the year they merely survive on crop residues and by-products. As a result of this the available feedstuffs cover about 90% of the energy requirements and greatly surpass the protein requirements during the winter and spring seasons. On the other hand, the available feedstuffs during the summer and fall seasons cover only 39 percent and 36 percent of the energy and protein requirements, respectively.

In view of the short time left in the project, the long time it takes to make genetic improvement through breeding and an opportunity to participate in the U.S. dairy buy-out program, it was decided the best and fastest way to genetic improvement in Egypt was to import improved U.S. Holsteins.

If this objective was to be accomplished, we had to simultaneously accomplish a second objective. That is to improve the quantity and distribution of feed available to the small farmer during the year. The shortage of green fodder in the summer months has long been recognized. The use of elephant grass and sorghum

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forage has shown promise, but as yet is untested by the small farmer. Two new systems have been developed by the Research Institute and tried on small farms. One of these, the system of treating straw with anhydrous ammonia has worked better for the larger farmer. The preparation of mu-feed (mixture of molasses, urea and minerals) has worked better for the small farmer, but as yet has not been widely distributed.

Feed subsidies is the factor most often cited as an obstacle in developing new feedstuffs. Entrepreneurs refuse to invest in processing facilities with per ton cost higher than subsidized feed. Subsidized feed, even though he produces the raw materials and is more efficient in live stock production, is not available to the small farmer. This makes it even more important to formulate rations using non-subsidized feedstuffs for the small farmer.

III Activities to Improve Small Farmer Livestock. Degree of Success

(a) Organization of Livestock Improvement Committee

The first major activity to develop the livestock industry was to organize a livestock committee. It was composed of Dr. Ismail Gomma and Dr. Fikry Keraby of the Research Institute, Dr. Samir Salem of the Veterinary Institute, Mr. Ibrahim Gawish, SFPP, and Dr. George L. Ellis, SFPP/ACDI. The livestock committee can best be described only a partial success. Called meetings were poorly attended and no one on the Committee contributed to the Livestock Package. Help was received by some members of the Committee on demonstrations, using poultry waste, ammoniated straw and mu-feed, as will be explained later.

(b) Two papers on "The Utilization of By-Product Feed in Egypt" and "Non-Traditional Dairy Cattle Feedstuffs" were prepared by the author and distributed to committee members and small farmers. It is doubtful if much or any of this information was put to use by the small farmer.

(c) There was a time when it appeared that the importation of high grade Holstein cows from the U.S. buy-out program would become a reality. Therefore, the author prepared a list of specifications

for the type of cattle desired and made other arrangements for receiving the cattle. As it turned out there was no enthusiasm and USAID refused to appropriate money to buy the cattle. This was a wonderful opportunity to improve the genetic potential of dairy animals in Egypt at a very reasonable price.

- (d) After the dairy cattle importation program was turned down the author undertook a series of demonstrations for small farmers to show that rations could be improved utilizing feed ingredients available to the small farmer. For example, a summer ration was formulated utilizing 30% straw, 30% grain and 30% poultry wastes (to increase the protein content in summer). This demonstration was conducted at the Sakha experiment station. Improved Holstein cattle ate the ration very well. A system was worked out with the livestock cooperative in the village of Katour to distribute mu-feed to the small farmer. The Research Institute constructed a tank and sold it to the cooperative. The tank was installed at the cooperative and the mu-feed sold to the small farmer. A demonstration was held for small farmers at Katour on the use of mu-feed and ammoniated straw. It was attended by about 30 farmers. A new method for Egypt making berseem hay was demonstrated at the village of Tersa. The method consisted of using a mower/crimper to reduce the high water content of berseem faster and save more leaves of the berseem.

The demonstration was attended by about 15 small farmers and was considered a success.

- (e) Efforts to find small chopper to cut rice and other straws for small farmer. Visits were made in Cairo and Tanta to locate a chopper small enough for the small farmer to afford but yet strong enough to cut rice straw. These efforts were in vain as no such chopper could be found.
- (f) Writing the Livestock Package.

The preparation of a livestock package was only a partial success, as mentioned before, the committee contributed nothing to its preparation. It was only during the last few months that help was

received from Dr. Abdel Mordy. Sample rations were formulated for the various governorates and cost and return data was prepared. The author prepared a considerable portion, but it should be checked by Egyptians before putting in final form.

IV Problems Encountered

- (a) Most of the problems encountered by the livestock program stem from the fact that little emphasis was placed on livestock by the project administration and USAID.
- (b) Examples of this is the lack of an effective counterpart on a national level willing to spend much time on the project.
- (c) Lack of adequate extension service support at the village level.
- (d) The unavailability of funds for small farmers to purchase mu-feed tanks, small chopping machinery, hay making equipment, etc.

V Unfinished Work

The greatest disappointment to the author on this project was the lack of support on the Egyptian side in the preparation of a livestock package. Much has been accomplished, but by the time I leave we will not have a clean copy of a tested package.

A more active livestock extension service should be created to work with all small farmers in the villages to teach them how to better utilize berseem for making good hay or silage. Use of poultry wastes, urea, sugarcane baggasse, molasses, etc. in animal rations.

GE/ns

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SMALL FARMER PRODUCTION PROJECT
FINAL REPORT
CROP PRODUCTION AND MECHANIZATION
JULY 1985 - JULY 1987

Roger Engstrom
Crop Production and
Mechanization
July 9, 1987

The areas covered were:

1. To assist the Extension personnel in Assiut, Kalubiya and Sharkiya Governorates on crop production and the machinery used for such production.
2. To assist in loan criteria for the PBDAC loan officers in crops and mechanization.
3. To assist farmers in their selection and purchase of machinery and other inputs.
4. To assist the training section in training extension personnel and farmers in crop production and mechanization.
5. To develop training and operation guidelines for some machines which included the rototiller, tool bar, irrigation, harvesting and tillage equipment.
6. To evaluate some machinery used by small farmers.
7. To attend demonstrations of equipment which was new to Egypt.
8. Accompanied farm groups to Jordan to see plastic manufacture and drip irrigation.
9. Evaluated irrigation equipment in Italy.
10. Attended the Royal Agricultural Show in England.
11. Visited the National Institute of Agricultural Engineering in England for several purposes, including the combine stripper, cotton puller, rotary ground driven tiller, combine harvester, portable workshops and various other items.
12. Accompanied Steven Gibbs, TDY, for 30 days in Cairo as a drip irrigation specialist and John Fitschen and Richard Pocock of Arizona Drip Systems in their help to us in designing a drip irrigation system suitable for small farmer use.

13. Cooperated with the Agricultural Research Center in various fields including soya bean, maize, forage (which was hay making), flax pulling, sunflower, sugarcane and cotton planting.
14. Assisted the Agricultural Mechanization Research Institute in various capacities including training, evaluation and demonstration.
15. Assisted the Agricultural Research Center in cooperation with USAID to develop specifications for machinery purchase.
16. Contributed to the "Farm Record Book" and to the "package of practices".
17. Cooperated with local manufacturers for design, prototype building, testing and marketing of several pieces of equipment.
18. Cooperated and helped with the custom farm operation-dealership-repair and service center and also developed a paper on that subject. This is a private operation.
19. Developed and presented technical papers for the Agricultural Mechanization Conference and also for the Desert Development Conference, both held in Cairo.
20. Cooperated with a private company for commercial custom use of Laser Land Leveling.
21. Collected crop and mechanization papers for technical library and also helped with the technical library at the Agricultural Mechanization Research Institute.
22. Wrote specifications and evaluated the purchase and assisted with the distribution of the Small Farmer Production Project machinery.
23. Repair of the Small Farmer Production Project machinery.
24. Worked on vehicle parts inventory, worked on vehicle repair and maintenance which also included some personal subsidization of parts.
25. Design and testing of some ideas which still need further development.

26. Cooperate with local machinery dealers in their supply, marketing, servicing and repair of machinery. This also included searching for spare parts, substitutes and modifications in Cairo, Alexandria, Assiut, Zagagig and Tanta.

The above accomplishments are included in the monthly reports and the Six Months Reports and the other papers that were referred to in the previous text.

RE/ns

Ref: RE070987.FIN

Small Farmer Production Project
Storage and Transportation Component

Clarence N. Livingston
Storage and Transportation Specialist
Agricultural Cooperative Development International

June 28, 1987

END OF PROJECT REPORT

The original project grant budget allocated funds for the following purposes and in the following amounts:

	US Funds		GOE Funds
	US \$	US\$ of LE	LE
New Construction 150 Agencies and 9 Shounas	252,000	2,268,000	
Transportation Equipment		230,000	
Handling Equipment	85,000		
Repairs and Renovation		154,000	
Land			23,000
Total	337,000	2,652,000	23,000

On August 14, 1980, before the technical assistance team arrived in Egypt, the Grant Agreement was ammended to include construction of 27 Village Banks, but no funds were provided for this purpose. There was tacit agreement between USAID and the Principle Bank for Development and Agricultural Credit, PBDAC, the contracting agency, that one half of the construction cost of Village Banks would be paid by each.

The Conditions Precedent to the disbursement of funds for construction were "A detailed model engineering plan including specifications and cost estimates ..." It had been assumed that the PBDAC had an engineering department capable of this. It did not, so an Architectural and Engineering firm had to be engaged. No money had been allocated for this purpose, and the conditions precedent for disbursement of funds could not be met until the conditions precedent for disbursement of funds had been met. The long and tedious AID process of writing a request for technical proposals, calling for prequalification information, grading responses, grading the proposals, selecting a contractor, negotiating a contract with the contractor, all of these steps requiring approval of numerous AID departments, fell upon the Storage and Transportation Specialist, and was very time consuming and frustrating.

A letter from the Deputy Chairman, PBDAC, to USAID, dated December 20, 1981, with an attached final budget for 1982, shows the addition of funds for construction purposes, as excerpted from the attached budget as follows:

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Budget Line Item (000 omitted)	Unused Budget Amount		Amount Added		Total	
	US\$	US\$ of LE	US\$	US\$ of LE	US\$	US\$ of LE
Storage:						
New Construction A & E Firm	152	1,368	1,200		1,352	1,368
Building Renovation and Construction: 27 Village Banks		68		460		460
				832		900
Total amount available for all construction				US\$ 3,620,000		
Amount available for A&E firm				460,000		

USAID/Cairo issued Project Implementation Letter 25 which obligated construction funds for A&E purposes. On May 9, 1982, a cost reimbursement contract, for Architectural and Engineering service, between the contracting agency, the FBDAC, and P. B. Sabbour SAE, PBS, for an estimated contract amount of LE 709,251, was signed. USAID approved this contract, and earmarked and committed US\$ 852,793 for this contract. This contract was amended six times extending the original time (23 Months) of the contract, but never increasing the contract amount. The Notice to Proceed was delivered to P. B. Sabbour on May 25, 1982. The contract, as amended one through six, expired April 30, 1987.

Throughout the project the Governorate Banks for Development and Agricultural Credit, the BDACs, had great difficulty in acquiring land on which buildings could be constructed. This caused delays for both the A&E firm and the construction contractor. Land in the agricultural areas of Egypt seldom changes ownership, is very expensive, and farmers are reluctant to sell.

On February 20, 1983 P. B. Sabbour published an invitation to contractors to submit information for prequalification for bidding. Thirty eight contractors picked up the questionnaire. Fourteen of these contractors submitted information. After evaluation eight of these contractors were rated qualified and on April 27, 1983 USAID approved the prequalifications.

A letter to the Project Director from USAID, referring to PIL 34 dated April 27, 1983 was received May 23, 1983, notifying the Project Director that conditions precedent had been met, and that USAID had earmarked \$3,874,500, (LE 3,222,344.10) for construction of storage facilities.

A letter to the Project Director from USAID, referring to PIL 36, dated October 30, 1983 advised the project that the conditions precedent to the disbursement of funds for Village Bank construction had been satisfied but did not mention funding.

At this time the USAID share of estimated construction cost were:

First phase, one half cost of 16 Village Banks	LE 1,115,243
First phase 77 Agencies	4,158,777
Estimated USAID share of construction cost	5,274,020

Early in December 1983, invitations to submit tenders were sent to the prequalified contractors by PBS, with a bid opening date of January 10, 1984 specified. Evaluation of the bids submitted showed them all to be higher than the estimates and more than the funds available for construction.

A meeting of the Project Director, representatives of USAID, the A&E contractor, project technical assistance, and the bidding contractors was held in the Project Directors office to determine the cause of all bids being higher than the estimate. To encourage lower bids it was decided to eliminate certain items from the Bills of Quantity, lengthen the allowable construction time schedule, and make modifications in the Instruction to Tenderers. Addendum No. One to the Instructions to Tenderers was issued and a request was made for second tenders.

Four contractors submitted second tenders on January 26, 1984. They were again higher than the estimates, and more than funds available from USAID. Another meeting of the same people was called, and as a result further changes were made in the Bills of Quantity and the Instructions to Tenderers and the contractors invited to submit third tenders, to be opened February 22, 1984, at the office of P. B. Sabbour.

A letter from USAID, dated December 19, 1983, to Youssef Wally, Egyptian Minister of State for Agriculture and Food Security, referring to PIL 36, concurred in his request to amend Annex 1 of the Grant Agreement, the budget, making the amount for Construction, Village Bank and Storage, US\$ 6,800,000 of Egyptian Pounds. This agreement was signed by the Minister on January 20, 1984, making the change effective.

In a letter dated February 14, 1984 USAID approved the Invitation for Bid referring to PIL 38 and completely confused the financial situation by stating that PIL 38 did what had actually had been done under PIL 36 by the preceding letter.

Three of the four contractors submitted third tenders. These tenders were close to the amount of funds available and were accepted and evaluated by P. B. Sabbour. The bid by Egyptian Building Systems, for all six contracts combined, was the lowest combination of bids, and was the one recommended by P. B. Sabbour. Certain sites were removed from the original first phase list of sites to bring the contracts total within the total of funds available from USAID. On April 12, 1984, contracts were signed by the contractor, witnessed by then Team Leader Ronnie G. Gollehon and USAID Engineer Roger L. Russell.

The estimated USAID share of construction cost were as follows:

First stage Agencies	LE 3,677,334
One half cost of first stage Village banks	1,207,222
Total for first stage	4,884,556
Planned Add-on Agencies	2,349,913
One half cost of planned Add-on Village Banks	944,737
Total for planned Add-ons	3,294,651
Total for first stage and planned add-ons	8,179,207

On May 22, 1984 AID Advance No. 1 to the project of LE 834,662 for Construction Mobilization Advance Payment to the contractor under the six contracts was received.

On May 24, 1984 a Mobilization Payment of LE 732,681, 15% of the estimated AID share of the six contracts, was issued to Egyptian Building Systems.

On June 1, 1984 the project issued Notice to Proceed on the six contracts to Egyptian Building Systems.

In September 1984 Egyptian Building Systems presented an invoice for work done since the Notice to Proceed had been issued through the month of August. EBS was told that the contracts provided that the invoice should be presented to P. B. Sabbour for certification. This was done and P. B. Sabbour twice certified and forwarded incorrect invoices which were sent back for correction. EBS was informed that a construction schedule of monthly planned completion of construction values was required by the contract and that the project would require it before payment of Invoice No. One. EBS presented a Schedule of Monthly Planned Completion of Construction Value and agreement between EBS, PBS and the project as to completed work in Invoice No. 1 was reached and on October 3, 1984 the AID share of Invoice No. 1 was paid in the amount of LE 86,258 total for the six contracts after 10% of the Mobilization Advance was retained. Deduction of the 10% retention was neglected at that time.

The project was very concerned by the slow progress of the construction work by the contractor. In September standing weekly meetings were established, as provided for in the contract, of P. B. Sabbour's Project Engineer, engineers from USAID/Cairo, the Project Engineer and other appropriate representatives from Egyptian Building Systems, the Project Director, the technical assistance specialist, and his counterpart from the FBDAC. Great difficulty was encountered in obtaining the attendance of representatives of the contractor. It appeared as though the contractor had disbursed the Mobilization Advance outside the purpose of project construction and it was apparent that he was short of sufficient funding for the planned progress of construction.

In November 1984 EBS submitted to PBS Invoice No. 2 for work done from September 1 through November 7, 1984 and PBS certified and forwarded it to the project. After sending it back for correction, agreement between EBS, PBS and the project was reached as to quantities and amounts per Item and the total. The total amount of the invoice was LE 160,803.25. USAID share was 115,915.08. After retaining 10% of the AID share of the Mobilization Advance, LE 73,269, the 10% Retention for Invoice No. 2 and the 10% Retention for Invoice No. 1 which had been neglected, payment of the AID share, LE 15,101.09, was made December 2, 1984.

In November 1984, the approval by USAID of the budget for the 11 month project extension, made funds available adequate for AID's share of the construction of the list of add-on Agencies and Village Banks, LE 1,802,932.14, a total of LE 6,712,748.94 for AID's share of all construction. The list of Add-On sites was formally presented to Egyptian Building Systems within seven months from the notice to proceed as provided in the contract.

EBS resisted acceptance of the list of sites, claiming that since it was beyond seven months from the signing of the contract they were not required to accept them and stating that they were entitled to a Mobilization Advance for the add-on sites. On the advise of Roger Russell, Engineer, USAID/Cairo, additional mobilization advance payment for these added sites was denied, since the contractor was already mobilized in the governorates involved. EBS started some work on some Village Bank contract add-on sites, but never did start work on Agency add-on sites. In December EBS began claiming that the design of agencies did not meet Egyptian building law requirements and that they could not build them for that reason. Consultation with outside experts refuted the claim. For the rest of the time EBS was involved with construction they continued accusations and veiled innuendo of P. B. Sabbour and the project contending that they were the ones delaying construction progress.

In January 1985 EBS presented their Invoice No. 3 for work done between November 8, 1984 and January 10, 1985. It was sent back for correction of errors twice and the third version was certified by PBS and processed by the project. The total invoice was for LE 199,044.12 and USAID's share was LE 154,495.13. Mobilization Liquidation was LE 73,269 and the 10% retention was LE 15,495.13. After deducting these amounts payment of LE 66,187.20 was recommended February 15, 1985.

In June 1985 the contractor submitted Invoice No. 4 for work done from January 10 1985 through May 31, 1985 and certified by P. B. Sabbour. It was full of errors and had to be sent back for correction. It was accepted as corrected on June 26, the total amount being LE 312,897.38. USAID share was LE 187,040.89, the Mobilization Liquidation was LE 73,269 and the 10% retention was LE 18,704.89 leaving LE 95,067.81. At the request of assignees and the concurrence of the contractor LE 53,775.36 was paid to Gulf Bank, and LE 41,292.45 was paid to Middle East Bank, on June

30, 1985. It should be noted that the construction period for agencies as called for in the original contract and as projected by the contractor expired on May 30, 1985 and the construction period for Village Banks expired August 31, 1985. This was the last invoice received from the contractor.

On the first of September 1985 the PBDAC Legal Department gave notice, as provided for in the contracts, to the contractor, Egyptian Building Systems (EBS), that in view of the nearly total lack of construction progress (11.2% as of May 31, 1985 the closing date of their latest invoice) they were in violation of the contracts and were dismissed from the contracts and should hand over the sites to representatives of the governorate banks (BDAC's). The contracts had expired at the end of July and the schedule of work that EBS had filed in September 1984 had expired at the end of August 1985.

The Project Director directed the construction supervisor, P B Sabbour (PBS), to retain their governorate supervisors to help in the retendering process but to dismiss their site construction engineers in the governorates as of the end of September which they did. EBS did not hand over the sites and continued a very small token amount of work which was done without supervision, also a violation of the contract. PBS estimated that EBS did about LE 72,000 (0.8 of 1% of the contracts) worth of work between May 31, 1985 and September 30, 1985. At this rate of progress it would have taken 31 years to complete the construction. EBS did not file an invoice for this work.

At the direction of the Project Director engineers from PBS, employees of the BDAC's and employees representing EBS were invited to form a committee in each governorate to survey the sites for building materials and equipment on hand on each site to serve as a basis of settling the contracts. PBS and BDAC people were there at each site at the established time and EBS employees were present at some meetings of the committees and signed some of the minutes with included protestations that they were prepared to continue the work under the contracts.

The Legal Department of the PBDAC filed with Egyptian American Bank (EAB) for payment of the Performance Guarantee Bond, which despite the bond being uncontestable, the EAB refused to pay in view of an order by the court in Alexandria issued as a result of a complaint filed by EBS in July 1985.

Another suit had been filed by EBS in Zagazig, seat of Sharkia Governorate, against the PBDAC and PBS. This suit was heard in November 1985 and postponed until the middle of January 1986. PBS had of necessity retained an attorney and he and the Construction Supervisor for PBS met with the PBDAC attorney to attempt to coordinate efforts.

At the end of November 1985 EBS filed another suit against PBDAC stating that the PBDAC had no basis for dismissing them and that they had been proceeding in a satisfactory manner.

The Project Director directed PBS to proceed with preparing new Bills of Quantity and other contract documents including where necessary new drawings in preparation for new tenders and waited for the Legal Department of the PBDAC to assure him that it was legal for him to proceed with calling for new tenders for the balance of the construction.

A letter dated June 30, 1986, from the Project Director to the Project Officer, USAID/Cairo requested that US\$ 4,575,861, obligated but not earmarked or committed for construction be converted to loan funds.

A letter dated July 13, 1986 from the Associate Director for Agricultural Resources, USAID/Cairo to the Deputy Prime Minister and Minister of Agriculture and Food Security, Arab Republic of Egypt, requested his concurrence in action as quoted: "Through this action, \$4,575,861, from the construction element No. 4 will be moved to the loan funds Element 8 as requested by the Project Director in his June 30, 1986 Letter." This letter is signed in concurrence by Minister Youssef Wally.

A letter dated September 15, 1986, from the Project Director to the Project Officer, USAID/Cairo, with attached voucher (Form 1034), copies of PIL 49 and the Ministers signed concurrence, requested "...that the \$ 4,575,861 be advanced as loan funds for the Small Farmer Production Project."

A letter Dated September 28, 1986 from the Acting Project Officer to the Project Director is quoted in its entirety:

"The Financial Management Office will not make available the equivalent in local currency of the amount requested for project loan funds (4,575,861) until the Project provides the following information:

- 1) What the project is doing with the funds,
- 2) Why the project is doing it,
- 3) What are the criteria for disbursement.

As soon as I have received clarification on these issues, I will again forward your request dated September 15, 1986"

A letter dated October 1, 1986 from the Project Director to the Acting Project Officer, USAID/Cairo, with all the previously attached documents also included the attachment of pertinent pages from the Credit Chapter of the Small Farmer Production Project Policy and Procedure Manual and responded with remarkable restraint again requesting advance of the funds provided by the "...Revised Grant Budget Project Implementation Letter No. 49."

A letter dated October 14, 1986 from the Associate Director for Agricultural Resources, USAID/Cairo to the Project Director refers to Amendment No. 4 Implementation Letter No. 41 and states: "... your request dated September 15, 1986 for an allocation of loan funds in the amount of \$4,575,861 is hereby approved. The USAID Financial Management Office will make available the equivalent in local currency."

Late in June 1986, the Project Director said that field work for the law suits regarding the construction contracts in Assuit Governorate had been finished, and that he wanted P. B. Sabbour to proceed with retendering the contracts for Agencies and for Village Banks in Assuit Governorate. This began a long series of long memorandums from the STS to the Project Codirector supplying him with information for use by the project and the PEDAC toward obtaining USAID/Cairo approval of retendering, and culminating in the letter mentioned in the third paragraph below.

Contact with people at USAID/Cairo indicated that some AID people strongly preferred to interpret policy differently from the way AID had at the time of the original grant and subsequent budget line item allocations for project construction. That some AID people, despite AID's contractual obligations, preferred to refuse approval of the use of funds previously committed for construction of Agency and Village Bank buildings. That these AID people justified this attitude by the delays that the construction had incurred even though AID itself had created much of the delay.

On September 8, 1986, USAID/Cairo requested return of the funds remaining in the project's USAID Construction Fund, held in an account at the PEDAC, which had been advanced by AID for construction purposes. On September 16, 1986 the Project Director returned LE 1,503,422.354 to the Office of Financial Management, USAID/Cairo.

On November 19, 1986 a letter from the Chairman of the Principle Bank for Development and Agricultural Credit to the Director, Agriculture, USAID/Cairo, formally requested approval of a compromise plan for construction. USAID/Cairo did not make a written response to approve or disapprove the compromise plan. They did, after many conferences, indicate that they would make an amount available to the PEDAC from Special Account funds to complete the 18 Village Banks and 53 Agency buildings started under the Small Farmer Production Project and deobligate the project budget funds for construction and obligate them for loan funds.

A letter dated February 19, 1987 from the Associate Director for Program Policy and Planning, USAID/Cairo to Adel Abd El Salam Zaki, Administrator of the Department for Economic Cooperation with the USA, Ministry of Planning and International Cooperation requested concurrence to provide LE 4,300,000 in Special Account funds to the Principle Bank for Development and Agricultural Credit to complete construction of 18 Village Banks and 53 Agencies previously started under the Small Farmer Production Project.

A covering letter to the one above, dated February 22, 1987, from USAID/Cairo to the Project Director, referring to the above request, stated that once USAID received a signed copy of the request "...an amount of \$6,900,000, already committed for construction, could be decommitted, and transferred to loan funds..."

A letter to the Director, USAID/Cairo, dated April 23, 1987, signed by the Deputy Prime Minister and Minister of Agriculture and Land Reclamation, Arab Republic of Egypt, requested "... that USAID transfer \$6,824,612 under PIL 38 previously committed for construction and make those funds available to the Project as loan funds..."

A letter, dated June 8, 1987, from the Administrator, The Department for Economic Cooperation, Ministry of Planning and International Cooperation, Arab Republic of Egypt, to the Associate Director, Program, Policy And Planning, USAID/Cairo, refers to "...the request of LE 4,300,00 from the Special Account to the Principle Bank for Development and Agricultural Credit to complete the construction of village banks and warehouses started under the Small Farmer Production project..." and states "...we approve the above mentioned amount for the said project, and we are taking the necessary action in this matter."

In conclusion one must assume, though it is by no means assured, that the following activities will or have occurred:

- 1) The Department for Economic Cooperation, Ministry of Planning and International Cooperation, Arab Republic of Egypt, will or has advanced to the PBDAC LE 4,300,000 from the Special Account.
- 2) The PBDAC will finish the started buildings.
- 3) USAID/Cairo will or has advanced to the Small Farmer Production Project \$ 6,824,612 of Egyptian Pounds formerly budgeted as construction funds for loan funds.

Small Farmer Production Project
Storage and Transportation Component
July 9, 1987

CONSTRUCTION DOCUMENT STATUS

at

END of PROJECT

by

Clarence N. Livingston

With this report is a copy of a data report labeled BYCON REPORT, dated March 5, 1986, which is the total of work, by contract Item, for which Egyptian Building Systems invoiced the project by Invoices 1 through 4, which P B Sabbour certified that they had done, and for which the project paid EBS, plus the work which P B Sabbour certified that EBS did, but did not invoice for, between May 31, 1985, the date of their Invoice No. 4, and September 30, 1985, the date on which they were dismissed from the contracts.

Also with this report is a report titled "Summary of Site Status for Contract Retendering." P. B. Sabbour have furnished copies of the Bills of Quantity and Instructions to Tenders and General Specifications for the six contracts for the number of sites shown in that report and as follows:

Contract	No. of Sites
Assuit Agencies	25
Assuit Village Banks	9
Qualubayia Agencies	34
Qualubayia Village Banks	9
Sharkia Agencies	54
Sharkia Village Banks	9
All Six Contracts	27 113

The project has not been furnished drawings for all the sites listed above. There are a copies of the detail drawings for Central Village Banks (those with training centers on the first floor), and for General Village Banks (those without training centers).

The project has been furnished detail drawings for Agencies in all the various module configurations.

The project has been furnished site plans labeled SU, architectural drawings labeled A, road drawings labeled R, and plumbing drawings labeled S, for the sites on the original contract list, but not those on the add-on list nor the sites included in the bills of quantity for contract retendering. The module configurations have been changed for some of those sites because the size of the site aquired by the BDAC was not large enough for the planned configuration but the project does not have the new layouts. For other sites the land was aquired late and the project does not have site layout plans for those sites. Other sites were added to the list of original contract sites and add-on sites at the time the bills of quantity were prepared for the retendering process. The project does not have copies of the site plans for those sites.

SUMMARY of SITE STATUS for CONTRACT RETENDERING

ASSUIT AGENCIES CONTRACT

<u>SITE</u>	<u>SITE NAME</u>	<u>SITE DESCRIPTION</u>	<u>STATUS</u>
<u>SITES IN ORIGINAL CONTRACT:</u>			
AA02	EL HAMAM	TWO WAY 8 MODULE AGENCY	1.7% Completed
AA03	EL MASSRA	ONE WAY 3 MODULE AGENCY	14.0% Completed
AA04	AWLAD IBRAHIM	ONE WAY 4 MODULE AGENCY	5.8% Completed
AA05	KARKARES	ONE WAY 5 MODULE AGENCY	7.7% Completed
AA06	DER SHOW	ONE WAY 6 MODULE AGENCY	Not Start
AA07	BEZERIT BAHIEG	ONE WAY 3 MODULE AGENCY	6.5% Completed
AA08	BAKOUR	TWO WAY 8 MODULE AGENCY	17.2% Completed
AA09	EL KASSR	ONE WAY 2 MODULE AGENCY	3.2% Completed
AA10	EL ASSARA	ONE WAY 2 MODULE AGENCY	Not Start
AA11	EL NEKHILA	TWO WAY 12 MODULE AGENCY	Not Start
AA12	EL MOTEHA	ONE WAY 9 MODULE AGENCY	7.9% Completed
AA13	EL MASSOUDI	ONE WAY 2 MODULE AGENCY	25.0% Completed
AA14	EL SHOTBA	ONE WAY 5 MODULE AGENCY	5.2% Completed
AA15	EL ZAWYA	TWO WAY 6 MODULE AGENCY	Not Start
AA16	BANI RAZAH	ONE WAY 6 MODULE AGENCY	4.5% Completed
AA17	RIFA	TWO WAY 8 MODULE AGENCY	Not Start
AA18	ABNOUB	ONE WAY 6 MODULE AGENCY	Not Start
AA19	EL AWAMER	ONE WAY 2 MODULE AGENCY	2.2% Completed
AA20	EL SHOGBHA	ONE WAY 3 MODULE AGENCY	18.4% Completed
AA21	DEWINA	TWO WAY 6 MODULE AGENCY	27.8% Completed
AA22	BANI SAMI	TWO WAY 6 MODULE AGENCY	Not Start
<u>SITES ADDED ON TO ORIGINAL CONTRACT:</u>			
AA28	FIAMA	ONE WAY 3 MODULE AGENCY	Not Start
AA29	AWLAD BADR and EL GOTA	ONE WAY 4 MODULE AGENCY	Not Start
AA31	EL ZERA	ONE WAY 3 MODULE AGENCY	Not Start
<u>SITES ADDED ON FOR RETENDERED CONTRACT:</u>			
AA26	MUSHA	ONE WAY 8 MODULE AGENCY	New Add-

SUMMARY FOR ASSUIT AGENCIES CONTRACT

	<u>NOT STARTED</u>	<u>PARTIALLY BUILT</u>	<u>ALL SITES</u>
NO. OF MODULES IN SITES IN ORIGINAL CONTRACT:	46	66	11
NO. OF MODULES IN SITES ADDED ON TO ORIGINAL CONTRACT:	10		1
NO. OF MODULES IN SITES ADDED ON FOR RETENDERED CONTRACT:	8		
NUMBER OF MODULES IN CONTRACT	64	66	13
NO. OF SITES IN ORIGINAL CONTRACT:	7	14	2
NO. OF SITES ADDED ON TO ORIGINAL CONTRACT:	3		
NO. OF SITES ADDED ON FOR RETENDERED CONTRACT:	1		
NUMBER OF SITES IN CONTRACT	11	14	2



ASSUIT VILLAGE BANKS CONTRACT

SITE	SITE NAME	SITE DESCRIPTION	STATUS
<u>SITES IN ORIGINAL CONTRACT:</u>			
AB01	ABU TIEG	CENTRAL VILLAGE BANK	28.6% Completed
AB02	EL HAMAM	GENERAL VILLAGE BANK	29.4% Completed
AB03	EL MASSASARA	GENERAL VILLAGE BANK	36.1% Completed
AB17	RIFA	GENERAL VILLAGE BANK	5.4% Completed
<u>SITES ADDED ON TO ORIGINAL CONTRACT:</u>			
AB24	EL DEWINA	GENERAL VILLAGE BANK	Not Start
AB25	EL NEKHILA	GENERAL VILLAGE BANK	24.3% Completed
AB27	ABNOUB	GENERAL VILLAGE BANK	4.3% Completed
<u>SITES ADDED ON FOR RETENDERED CONTRACT:</u>			
AB23	EL MOTIAH	GENERAL VILLAGE BANK	New Add-
AB26	MUSHA	GENERAL VILLAGE BANK	New Add-

SUMMARY FOR ASSUIT VILLAGE BANKS CONTRACT

NO. OF SITES IN ORIGINAL CONTRACT:
 NO. OF SITES ADDED ON TO ORIGINAL CONTRACT:
 NO. OF SITES ADDED ON FOR RETENDERED CONTRACT:
 NUMBER OF SITES IN CONTRACT

	NOT STARTED	PARTIALLY BUILT	ALREADY STARTED
	1	4	
	2	2	
	<u>3</u>	<u>6</u>	<u>---</u>

QUALUBAYIA AGENCIES CONTRACT

<u>SITE</u>	<u>SITE NAME</u>	<u>SITE DESCRIPTION</u>	<u>STATUS</u>
<u>SITES IN ORIGINAL CONTRACT:</u>			
QA01	FARSIS	ONE WAY 2 MODULE AGENCY	18.1% Completed
QA02	SANDANHOUR	ONE WAY 2 MODULE AGENCY	17.4% Completed
QA03	KAFR SANDANHOUR	ONE WAY 1 MODULE AGENCY	17.9% Completed
QA04	MAGOL	ONE WAY 2 MODULE AGENCY	2.6% Completed
QA05	SHOBRA HARES	ONE WAY 5 MODULE AGENCY	15.6% Completed
QA06	KHELOT SENHERA	ONE WAY 1 MODULE AGENCY	3.1% Completed
QA08	KAFR EL GAMAL	ONE WAY 2 MODULE AGENCY	14.1% Completed
QA09	SENHERA	ONE WAY 4 MODULE AGENCY	3.4% Completed
QA10	TERSA	ONE WAY 3 MODULE AGENCY	15.8% Completed
QA11	BARSHOM	ONE WAY 1 MODULE AGENCY	11.3% Completed
QA12	AGHOUR	TWO WAY 4 MODULE AGENCY	0.5% Completed
QA13	KAFR EL ARBIEN	ONE WAY 2 MODULE AGENCY	13.3% Completed
QA14	KAFR EL GAZAR	ONE WAY 1 MODULE AGENCY	20.9% Completed
QA15	BATTA	ONE WAY 2 MODULE AGENCY	17.3% Completed
QA16	SHEBLANGA	TWO WAY 8 MODULE AGENCY	12.1% Completed
QA17	AKIAD DEGWA	ONE WAY 2 MODULE AGENCY	8.5% Completed
QA18	MEET EL SEBA	ONE WAY 2 MODULE AGENCY	18.0% Completed
QA19	NEKBAS	ONE WAY 4 MODULE AGENCY	9.7% Completed
<u>SITES ADDED ON TO ORIGINAL CONTRACT:</u>			
QA20	GANGRA	ONE WAY 2 MODULE AGENCY	Not Starte
QA21	KAFR SAAD	ONE WAY 2 MODULE AGENCY	Not Starte
QA22	KAFR MOIS	ONE WAY 1 MODULE AGENCY	Not Starte
QA23	MEET EL HOFEEN	TWO WAY 4 MODULE AGENCY	Not Starte
QA28	KAFR ABU ZEKRY	ONE WAY 1 MODULE AGENCY	Not Starte
QA30	BELTAN	ONE WAY 2 MODULE AGENCY	Not Starte
<u>SITES ADDED ON FOR RETENDERED CONTRACT:</u>			
QA24	KAFR MANSOUR	ONE WAY 2 MODULE AGENCY	New Add-0
QA25	KAFR EL NAKHLA	ONE WAY 1 MODULE AGENCY	New Add-0
QA26	EL ARDALA	ONE WAY 1 MODULE AGENCY	New Add-0
QA27	KAFR EL ATRON	ONE WAY 2 MODULE AGENCY	New Add-0
QA31	KAFR AMAR	ONE WAY 2 MODULE AGENCY	New Add-0
QA32	EL SIEF	ONE WAY 2 MODULE AGENCY	New Add-0
QA33	GEZIRET EL AHRAR	ONE WAY 2 MODULE AGENCY	New Add-0
QA34	KARKASHANDA	TWO WAY 6 MODULE AGENCY	New Add-0
QA35	MEET ASSEM	ONE WAY 3 MODULE AGENCY	New Add-0
QA36	MENSHAT BANHA	ONE WAY 3 MODULE AGENCY	New Add-0

SUMMARY FOR QUALUBAYIA AGENCIES CONTRACT

	NOT STARTED	PARTIALLY BUILT	ALL SITES
NO. OF MODULES IN SITES IN ORIGINAL CONTRACT:			48
NO. OF MODULES IN SITES ADDED ON TO ORIGINAL CONTRACT:	12	48	12
NO. OF MODULES IN SITES ADDED ON FOR RETENDERED CONTRACT:	24	48	24
NUMBER OF MODULES IN CONTRACT	36	48	84
NO. OF SITES IN ORIGINAL CONTRACT:			18
NO. OF SITES ADDED ON TO ORIGINAL CONTRACT:	6	18	6
NO. OF SITES ADDED ON FOR RETENDERED CONTRACT:	10	18	10
NUMBER OF SITES IN CONTRACT	16	18	34

QUALUBAYIA VILLAGE BANKS CONTRACT

<u>SITE</u>	<u>SITE NAME</u>	<u>SITE DESCRIPTION</u>	<u>STATUS</u>
<u>SITES IN ORIGINAL CONTRACT:</u>			
QB02	SANDAHOUR	GENERAL VILLAGE BANK	41.4% Completed
QB10	TERSA	GENERAL VILLAGE BANK	30.3% Completed
QB12	AGHOUR	GENERAL VILLAGE BANK	23.1% Completed
QB13	KAFR EL ARBAIN	GENERAL VILLAGE BANK	24.6% Completed
QB14	KAFR EL GAZAR	CENTRAL VILLAGE BANK	43.9% Completed
QB16	SHEBLANGA	GENERAL VILLAGE BANK	22.5% Completed
QB17	AKIAD DEGWA	GENERAL VILLAGE BANK	26.2% Completed
<u>SITES ADDED ON TO ORIGINAL CONTRACT:</u>			
QB29	KAHA	GENERAL VILLAGE BANK	Not Start
QB30	BELTAN	GENERAL VILLAGE BANK	14.5% Completed

SUMMARY FOR QUALUBAYIA VILLAGE BANKS CONTRACT

NO. OF SITES IN ORIGINAL CONTRACT:
 NO. OF SITES ADDED ON TO ORIGINAL CONTRACT:
 NUMBER OF SITES IN CONTRACT

<u>NOT STARTED</u>	<u>PARTIALLY BUILT</u>	<u>ALREADY SITI</u>
	7	
-- $\frac{1}{1}$	-- $\frac{1}{8}$	--

52

SHARKIA AGENCY CONTRACT

SITE	SITE NAME	SITE DESCRIPTION			STATUS
<u>SITES IN ORIGINAL CONTRACT:</u>					
SA01	NESHWA	ONE WAY	2 MODULE AGENCY		
SA02	EL TAHWIA	TWO WAY	4 MODULE AGENCY	16.5%	Completed
SA03	EL SADAAT	ONE WAY	2 MODULE AGENCY	0.8%	Completed
SA04	KAFR KAYED	ONE WAY	2 MODULE AGENCY		Not Start
SA05	SHOBRA NAKHLA	ONE WAY	4 MODULE AGENCY		Not Start
SA06	KAFR EL KADIM	ONE WAY	2 MODULE AGENCY		Not Start
SA07	MENIT SENTA	ONE WAY	2 MODULE AGENCY		Not Start
SA08	EL KATEBA	ONE WAY	2 MODULE AGENCY		Not Start
SA09	M GAWIESH and A GOBRAN	ONE WAY	3 MODULE AGENCY	14.5%	Completed
SA10	KAFR AYOUB	TWO WAY	4 MODULE AGENCY	18.1%	Completed
SA11	ABU FRAKH	TWO WAY	4 MODULE AGENCY	12.1%	Completed
SA12	IBRAHIMIA	ONE WAY	2 MODULE AGENCY	1.4%	Completed
SA13	EL HALAWAT	TWO WAY	6 MODULE AGENCY	14.5%	Completed
SA14	TAROUT	ONE WAY	2 MODULE AGENCY	14.8%	Completed
SA15	KAFR YOUSSEF	ONE WAY	2 MODULE AGENCY	2.2%	Completed
SA16	MEET ABU ALI	ONE WAY	2 MODULE AGENCY		Not Start
SA17	TEL MOHAMED	ONE WAY	2 MODULE AGENCY	15.0%	Completed
SA18	EL GOSAK	ONE WAY	2 MODULE AGENCY		Not Start
SA21	EL ZANKALON	ONE WAY	4 MODULE AGENCY	15.9%	Completed
SA22	TEL HOUEN	ONE WAY	4 MODULE AGENCY	0.7%	Completed
SA23	HEFNA	ONE WAY	1 MODULE AGENCY		Not Start
SA24	AWAD ALA HEGAZY	TWO WAY	4 MODULE AGENCY	16.5%	Completed
SA25	TEL MOSMAR	ONE WAY	1 MODULE AGENCY		Not Start
SA26	EL SABRAWEEEN	ONE WAY	1 MODULE AGENCY		Not Start
SA27	SEFEITA	ONE WAY	3 MODULE AGENCY	11.3%	Completed
SA28	EL MATAWA	ONE WAY	2 MODULE AGENCY	21.7%	Completed
SA30	KAFR ZWAHRY	ONE WAY	2 MODULE AGENCY		Not Start
SA31	SHARKIA MOBASHER	ONE WAY	2 MODULE AGENCY		Not Start
SA33	AWALAD ATTIA	ONE WAY	2 MODULE AGENCY	0.3%	Completed
SA34	EL FAWZIA	ONE WAY	2 MODULE AGENCY	19.9%	Completed
SA36	EL BAKAKRA	ONE WAY	2 MODULE AGENCY	20.6%	Completed
SA37	EL SIDS	ONE WAY	2 MODULE AGENCY	14.6%	Completed
SA38	TALHET BURDIN	ONE WAY	2 MODULE AGENCY	15.7%	Completed
SA39	KAFR HEFNA KEREMELA	ONE WAY	2 MODULE AGENCY		Not Start
		ONE WAY	5 MODULE AGENCY	5.0%	Completed
<u>SITES ADDED ON TO ORIGINAL CONTRACT:</u>					
SA19	EL ASLOUGI	ONE WAY	2 MODULE AGENCY		Not Start
SA20	MOBASHER	ONE WAY	3 MODULE AGENCY		Not Start
SA41	EL MAHDIA	ONE WAY	3 MODULE AGENCY		Not Start
SA42	EL GALAILIA	ONE WAY	3 MODULE AGENCY		Not Start
SA43	KAFR ABU HATTAB	ONE WAY	1 MODULE AGENCY		Not Start
SA44	BURDIEN	ONE WAY	2 MODULE AGENCY		Not Start
SA45	BANI SHEBL	ONE WAY	2 MODULE AGENCY		Not Start
SA46	MEET HABIB	ONE WAY	2 MODULE AGENCY		Not Start
SA48	EL BLASHONE	ONE WAY	2 MODULE AGENCY		Not Start
SA49	KAFR IBRAHIM	TWO WAY	6 MODULE AGENCY		Not Start
SA50	EL ZAHARA	ONE WAY	1 MODULE AGENCY		Not Start
SA51	SHOBAC BASTA	ONE WAY	1 MODULE AGENCY		Not Start
SA52	KAFR ABAZA	ONE WAY	2 MODULE AGENCY		Not Start
SA54	KAFR DENOHIA	ONE WAY	2 MODULE AGENCY		Not Start
		ONE WAY	1 MODULE AGENCY		Not Start

SA55	TAHRA HEMIED	ONE WAY	1	MODULE	AGENCY	
SA60	HEHIA	TWO WAY	4	MODULE	AGENCY	Not Started
SA61	ANSHAS EL BASSEL	ONE WAY	2	MODULE	AGENCY	Not Started

Not Started
Not Started
Not Started

SITES ADDED ON FOR RETENDERED CONTRACT:

SA35	TAHWAHIN AKRASH	ONE WAY	2	MODULE	AGENCY	New	Add-On
SA58	KAFR EL SHORAFI	ONE WAY	1	MODULE	AGENCY	New	Add-On
SA59	SHARWEDA	ONE WAY	2	MODULE	AGENCY	New	Add-On

New Add-On
New Add-On
New Add-On

SUMMARY FOR SHARKIA AGENCY CONTRACT

	NOT STARTED	PARTIALLY BUILT	ALL SITES
NO. OF MODULES IN SITES IN ORIGINAL CONTRACT:	25	63	88
NO. OF MODULES IN SITES ADDED ON TO ORIGINAL CONTRACT:	37		37
NO. OF MODULES IN SITES ADDED ON FOR RETENDERED CONTRACT:	<u>5</u>		<u>5</u>
NUMBER OF MODULES IN CONTRACT	67	63	130
NO. OF SITES IN ORIGINAL CONTRACT:	13	21	34
NO. OF SITES ADDED ON TO ORIGINAL CONTRACT:	17		17
NO. OF SITES ADDED ON FOR RETENDERED CONTRACT:	<u>3</u>		<u>3</u>
NUMBER OF SITES IN CONTRACT	33	21	54

S ARKIA VILLAGE BANKS CONTRACT

SITE	SITE NAME	SITE DESCRIPTION	STATUS
SITES IN ORIGINAL CONTRACT:			
SB10	KAFR AYOUB	GENERAL VILLAGE BANK	40.7% Completed
SB12	IBRAHEMIA	GENERAL VILLAGE BANK	26.5% Completed
SB21	ZANKALON	CENTRAL VILLAGE BANK	36.7% Completed
SB32	MOUBASHER	GENERAL VILLAGE BANK	Not Started
SITES ADDED ON TO ORIGINAL CONTRACT:			
SB19	EL ASLOUGI	GENERAL VILLAGE BANK	19.5% Completed
SB44	BURDIEN	GENERAL VILLAGE BANK	Not Started
SB47	SHOUBRA EL NAKHLA	GENERAL VILLAGE BANK	Not Started
SB48	EL BLASHONE	GENERAL VILLAGE BANK	Not Started
SB60	HEHIA	GENERAL VILLAGE BANK	Not Started

SUMMARY FOR SHARKIA VILLAGE BANKS CONTRACT

	NOT STARTED	PARTIALLY BUILT	ALL SITES
NO. OF SITES IN ORIGINAL CONTRACT:	1	3	4
NO. OF SITES ADDED ON TO ORIGINAL CONTRACT:	4	1	5
NUMBER OF SITES IN CONTRACT	5	4	9

SUMMARY FOR ALL CONTRACTS COMBINED:

	SITES NOT STARTED	SITES PARTIALLY BUILT	ALL SITES
NUMBER OF MODULES IN ORIGINAL CONTRACTS	71	177	248
NUMBER OF MODULES ADDED ON TO ORIGINAL CONTRACTS	59		59
NUMBER OF MODULES ADDED ON FOR RETENDERING CONTRACTS	37		37
NUMBER OF MODULES IN SITES IN ALL PHASES OF ALL CONTRACTS	167	177	344
NO. OF AGENCIES IN ALL ORIGINAL CONTRACTS	20	53	73
NO. OF AGENCIES ADDED ON TO ORIGINAL CONTRACTS	26		26
NO. OF AGENCIES ADDED ON FOR RETENDERING ALL CONTRACTS	14		14
NO. OF AGENCIES IN ALL PHASES OF ALL CONTRACTS	60	53	113
NUMBER OF VILLAGE BANKS IN ORIGINAL CONTRACTS	1	14	15
NUMBER OF VILLAGE BANKS ADDED ON TO ORIGINAL CONTRACTS	6	4	10
NUMBER OF VILLAGE BANKS ADDED ON FOR RETENDERING CONTRACTS	2		2
NUMBER OF VILLAGE BANKS IN ALL PHASES OF ALL CONTRACTS	9	18	27
NUMBER OF SITES IN ALL PHASES OF ALL CONTRACTS	69	71	140

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END OF PROJECT REPORT

September 1980 - July 31, 1987
Credit Component
Robert W. Fischer, Credit Specialist

This report covers the entire life of the SFPP. I served as Credit Specialist and Co-Director in the Kalubiya Governorate from September 1980 until the reorganization of the project in July 1985. Beginning July 1, 1985 I became the Credit Operations Specialist for the three participating governorates: Assiut, Kalubiya and Sharkiya.

Prior to beginning extending credit to the small farmers, credit policies, procedures, loan applications, financial information forms and loan accounting methodology were developed. The above were required as conditions precedent before loan funds were made available by USAID.

Subsequent to the development of policies and procedures, a credit training manual was developed and extensive training was given to governorate and village bank credit personnel.

A plan of work was developed and implementation began early 1981 to carry out the duties and responsibilities of the credit specialists, namely:

- (a) Provide training and advisory assistance in the redesign of all loan making, servicing and collection functions in the Village Bank System.
- (b) Provide specific assistance in loan analysis and feasibility determinations for medium and long term loans for both agricultural and agribusiness purposes.
- (c) Assist the development and implementation of new policies on loan eligibility and loan approval.
- (d) Assist in preparing an annual operating budget and profit and loss statement for each project village bank.

Paragraphs (a), (b), and (c) were achieved prior to May 1981. Paragraph (d) was addressed in a special study by an Egyptian consultant with specific recommendations made to the FEDAC for their consideration. The PBDAC was in general agreement that an annual operating budget for each village bank would be beneficial; however, it was not implemented due to procrastination on the banks' accounting department officials.

In 1981 the Project Credit Specialists made a survey of the bank's credit operations in their respective governorates. Common observations were reported as follows:

1. Well written credit and collection policies and procedures have not been developed.
2. Formal technical training in credit and financial analysis has not been developed for most employees. Most of the available training programs have been attended only by upper levels of management.
3. Collateral requirements remain the primary basis for approving short term and medium term loans.
4. Very little authority is delegated to middle and lower echelon credit and management personnel.

Each of the four observations were addressed in work plans and positive improvement has been made.

1. Well written policies and procedures have been written and are being followed. Collections have improved to a 99% rate compared to 91% in 1979.
2. Training material has been developed and used in training over 300 middle and lower level managers in the governorates and village banks.
3. Loans have been approved based on sound loan analysis, with emphasis on repayment capacity rather than collateral.
4. Authority has been delegated to village bank loan committees and in turn redelegated loan making authority within specified to limit village bank managers.

This delegation of lending authority permits faster processing of loan requests from farmers in the villages. Previously loan processing took nearly 2-3 weeks, but has now been effectively reduced to 1-2 days.

Lessons Learned

1. Credit training must be carried out by the credit specialist on a regular basis. Formal coursework in the credit factors, credit policies, loan administration and farm record analysis are essential.

Frequent visits to village banks by the Credit Specialists to perform informal on-the-job training has been enthusiastically received by the bank personnel and was found to be the key in developing real credit skills.

2. Develop a credit system that is simple and commensurate with the type of lending required.
3. Project success is dependent upon a full time governorate Project Director. This was not 100% fulfilled.
4. Job performance evaluations be administered fairly and consistently.
5. A sincere commitment by the Principal Bank for Development and Agricultural Credit is essential for successful project development.
6. Daily interaction between the American T.A. and Egyptian counterpart is essential to the success of the project, particularly in the beginning stages and frequent follow-ups thereafter.
7. Legal contracts approved and signed by Egyptian officials are breached at their convenience and pleasure. And that USAID, by remaining silent, approves such breaches. Successful project development requires all the working partners to honor all contractual obligations.
8. The farm management component was essential in their advisory services to the village banks' credit personnel and contributed greatly to the excellent credit quality and the improved financial position of the small farmer.

The project paper that was written in 1979 after a thorough study of the bank and its system of distributing credit throughout the three recommended participating governorates targeted 4050 farmers to be served with credit under the SFPP umbrella of the approximately 124,000 farmers living in the 27 villages within the three governorates.

At the end of the project there were over 100,000 farmers served with SFPP loans. The original plan was to concentrate on a relatively few farmers who would cooperate with farm management recommendations and receive credit based on the profitability of the operation on a pilot basis. After the first year, it was foreseen that the project concepts were exceptionally successful; therefore,

more farmers should be entitled to participate. It was at this point in time that block farming was introduced. The result was that the limitation of only a few farmers being served was terminated and all eligible small farmers who were credit worthy could qualify.

The 100,000 farmers used credits in the amount of over LE 95,000,000 during the life of the project. Over 98% of the number of loans and over 99% of the amount loaned have been repaid on schedule. Interest income received and added to loan funds has been approximately 6.5 million LE..

1981

The first project loan was made in May after the nine village bank personnel were given a thorough understanding of the objectives of SFPP, its policies and procedures in loan making and extensive training in the fundamentals of credit and the application of the five credit factors.

Loan activity was rather limited in the beginning due to adhering to the project paper specifying that only a minimal number of farmers would be served with credits.

Even with this constraint 614 loans were made to 564 farmers in the amount of LE 672,799.

1982

An additional nine village banks were added to participate in SFPP making a total of 18 in the three governorates in the project. It was in 1981 that the requirement of serving only cooperating and participated farmers was eliminated. Because of the small success achieved in 1981 in the SFPP, it was decided by the new Project Director that all small farmers within the participating village bank areas should be eligible for SFPP farm management technical advise and sufficient credits to carry out the crop and livestock packages. The results were that 5246 loans were made to 5936 farmers for LE 5,116,452, a multiple of 7 1/2 in credits and 10 1/2 in farmers served.

1983

In 1983 nine village banks were added to the project making a total of 27 banks participating. The year was also a historical one in that the first revolving line of credit loan was made in the Kaha village bank in Kalubiya. During the year 85 revolving loans were made to 85 farmers in the amount of LE 220,098.

A little less than 14,000 loans were made to 7,136 small farmers in the amount of 9.5 million pounds (LE). The first credit examination or loan review was conducted in Kalubiya during the year. Criteria were developed for the governorate bank personnel to evaluate all loans on record to determine the quality of the loans and the credit administration in carrying out SFPP policies and procedures. The results of the credit examination were used by the governorate bank management in carrying out its responsibilities in administering and supervising credit within the participating village banks.

1984

There were no additional village banks added to the project in 1984. The project was to have terminated August 31, however, because of the success of the project, it was extended for eleven months. This year was the last full year that the American Specialists worked full time in their respective governorate banks.

During the year about 20,000 loans were made to 9861 small farmers in the amount of LE 17.1 million. Over 350 revolving loans were made for 1.2 million LE. Credit quality remained very high with a collection rate of +98%.

1985

Eleven additional village banks were added to the project in 1984. All village banks in one district in each of the three governorates were incorporated into the SFPP. This process allowed for the district or branch bank to become more involved in the management of the village banks participating in the project. All loans made within the blocked out branch adhered to the policies, procedures and loan servicing of the SFPP concept.

The SFPP experienced a banner year in 1985. 28,698 loans were made in the amount of LE 20,399,861 compared to 19,996 for LE 17,238,865 in 1984. The increase in number of loans was 8702 or 43.5% and the amount loaned increased LE 3,160,996 representing a gain of 18.3%. At the same time, the quality of credit extended remained at a very high level. Since the beginning of the project 67,805 loans for LE 51,887,126 have been extended. At the end of 1985 there were 757 delinquencies in the amount 289,800 which represents a loan collection ratio of 98.9 in numbers and 99.4 in amount.

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On December 31, 1985 the SFPP had 30,125 loans in the amount of LE 16,014,885 outstanding.

The loan portfolio is very diversified and indicates a rapid increase in the number of farmers being served with crop production loans. The project's governorate teams are working very hard to promote the use of and the financing of crop and plantation packages as recommended by the SFPP farm management experts.

The loan summary reports indicates that 46% in number of all loans made from the beginning of the project through 1985 were for crop production compared to 41.6% at year end 1984.

The amount loaned for meat, eggs and livestock decreased to 72% in 1985 of all financing extended from 76.3% in 1984. However, the number of loans for crop production was 46% of the total loans compared to 42% for meat, eggs and livestock production.

1986

Loan activity in the Small Farmer Production Project continues to grow rapidly. The acceptance of the innovative credit system of the SFPP to the small farmers of Egypt is exemplified by the large increases in the number of farmers served and the amount borrowed in 1986 over 1985.

Over 45 thousand loans were made to farmers in 75 banks in 1986 compared to 28.7 thousand in 38 village banks in 1985, an increase of 57.8%.

Almost 25 million Egyptian Pounds were disbursed during the year. While during the same period in 1985 a little over 19.5 million pounds were loaned, an increase of 27.3% in 1986.

While the increase in loan activity was substantial, loan quality remains at a very high level. At year end 1986 there were 1686 loans that were 30 days or more past due compared to over 113,063 loans made since the beginning of the project which represents a collection rate of 98.5% in the number of loans. The 1686 past due loans were for a total of LE 574,060 compared to 76.7 million pounds loaned since the beginning of the project, a collection rate of 99.2%.

The number of loans made for crop production have increased significantly the past six months. Over 56.3% of all loans made have been made to block farmers for inputs necessary to increase crop production, an increase of 10% over year end 1985. Loan funds extended for crop production increased over 5% and now totals 16.6% of all credit extended. More than 65,000 loans have been made for this purpose since the beginning of the project. Other purposes where loan activity played an important roll in assisting the small farmers to improve their financial well being are: meat and egg production; dairy and beef breeding stock; farm equipment and land and building improvements.

During the year the project has expanded into 37 additional village banks, almost doubled the number of banks being served in 1985. All Assiut Governorate village banks are now totally operating within the SFPP concepts. Over 40 additional financial analysts have been trained and are performing their new responsibilities in a satisfactory manner. Many, many more will be needed if they continue to expand their services in the same proportion as experienced during the last six months. The Assiut and Kalubiya Governorates have both nearly doubled the number of loans made in 1986 over 1985. Sharkiya shows a small decline in the number of loans made, but about a 20% increase in the amount of loans closed.

With loan volume increasing at such a very rapid rate and the planned expansion of eight new village banks in Kalubiya, a shortage of loan funds appears to be likely. The project has over LE 20 million loans outstanding which are revolving and over LE 7 million of loan funds on hand. However, it appears the loans will not revolve fast enough to provide ample funds which will necessitate additional funding or a slow-down of loan activity.

Subject matter material, credit and loan accounting was prepared by the American Credit Specialist and used to train 42 financial analysts, 36 accountants in Assiut and 8 financial analysts and accountants in Kalubiya. The material consisted of the fundamentals of sound credit, the five credit factors, loan administration and special collection supervision. Also presented to the PBDAC was a paper on the analysis and servicing of complex, problem and risk loans.

1987

This report is being written prior to the completion of the end of July loan activity reports. The statistics quoted are only estimates based on the monthly reports thus far received as guides.

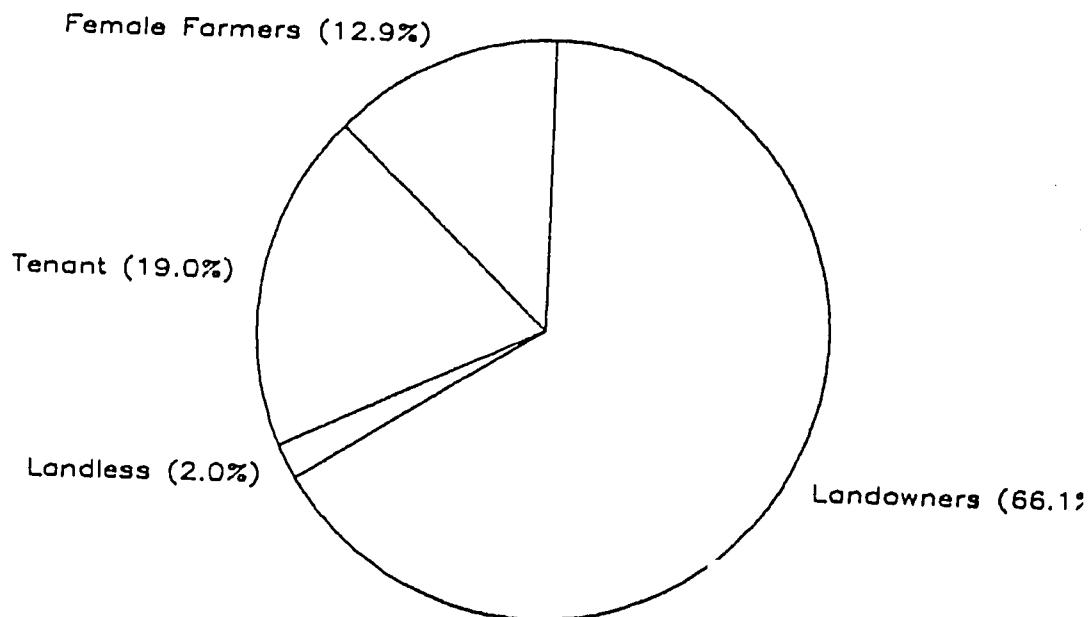
The seven months of 1987 showed a significant increase in the number of small farmers served and in use of agricultural credit for crop production purposes. Over 24,000 small farmers were given 34,000 loans in the amount of almost 19 million Egyptian Pounds.

During the life of the project over 90,000 farmers have been given approximately 150,000 loans for about 95 million LE. At the end of July there were about 60,000 loans in the amount of 25 million LE outstanding.

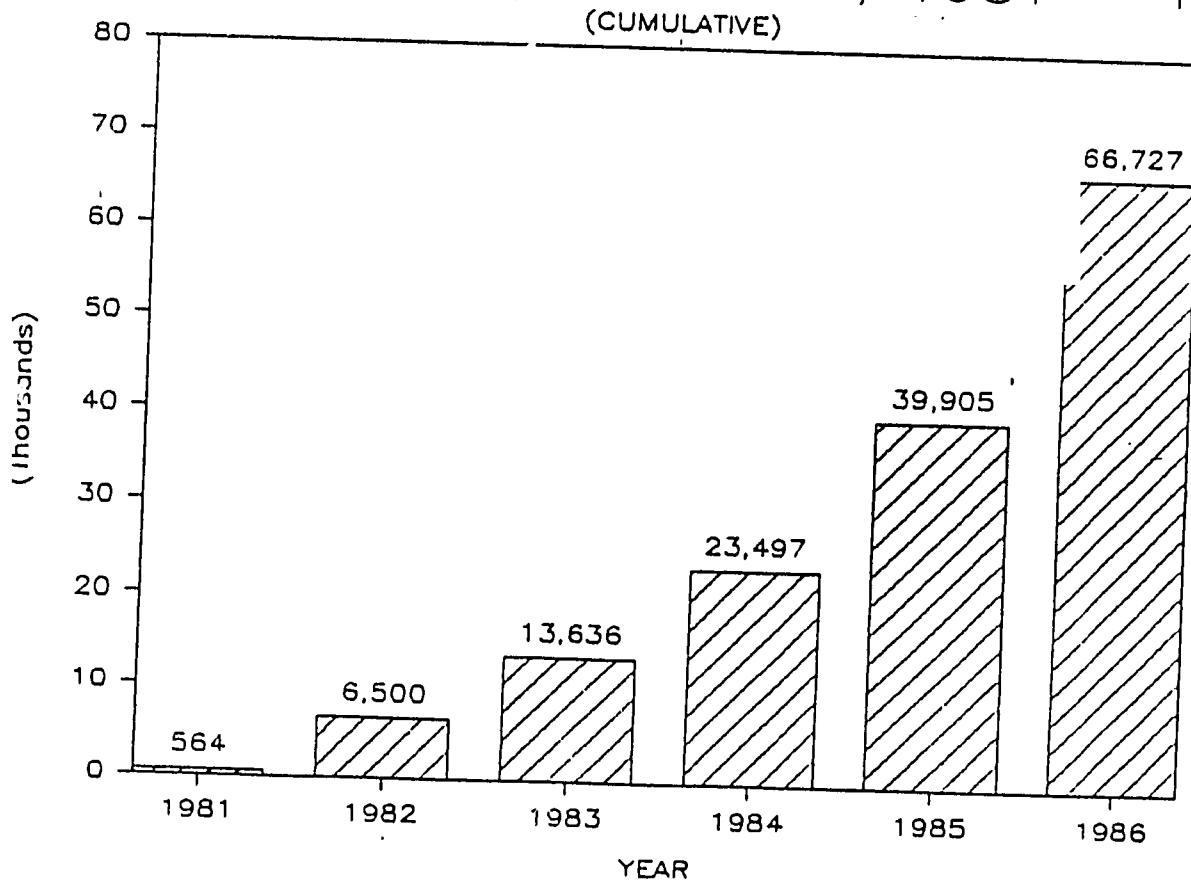
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FARMERS SERVED BY SFPP, 1981-1986

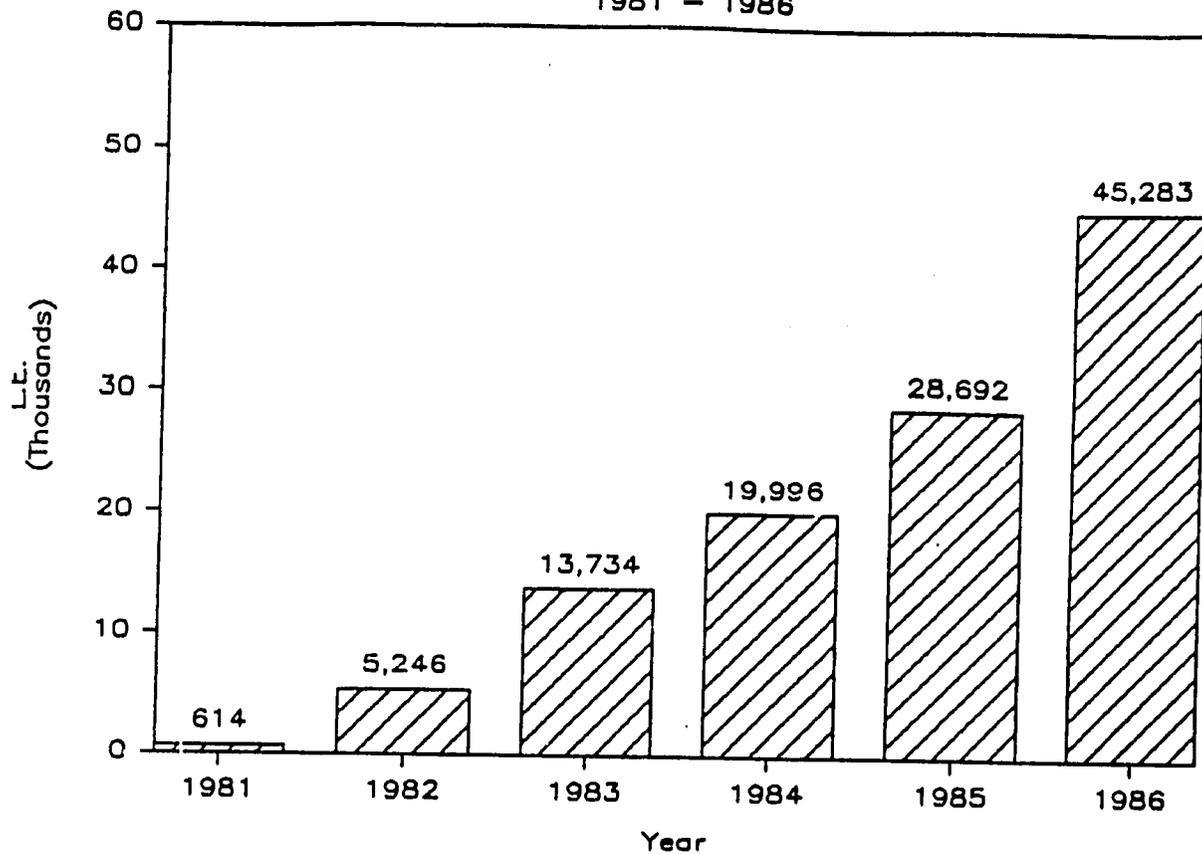


FARMERS SERVED BY SFPP, 1981 - 1986



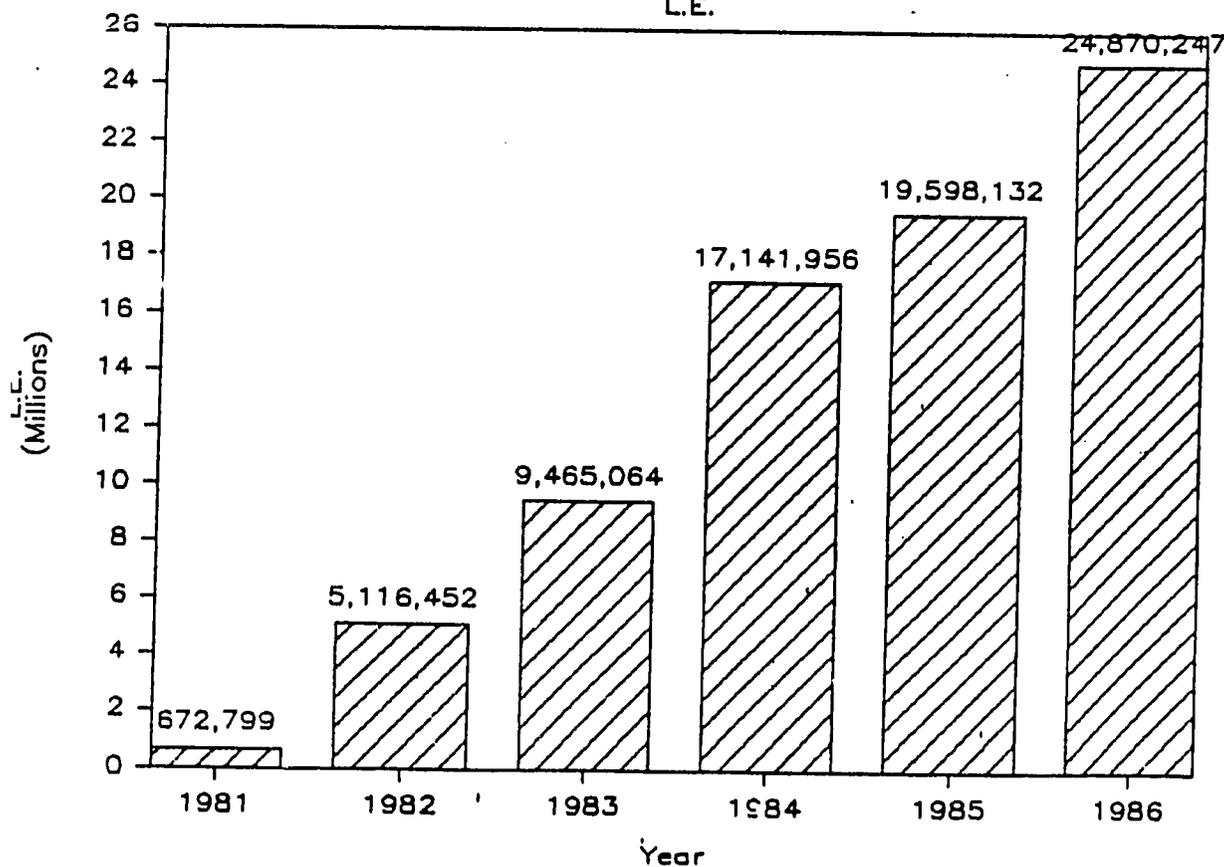
SFPP : Number of Loans Closed

1981 - 1986



SFPP : Amounts of Loans Closed

L.E.

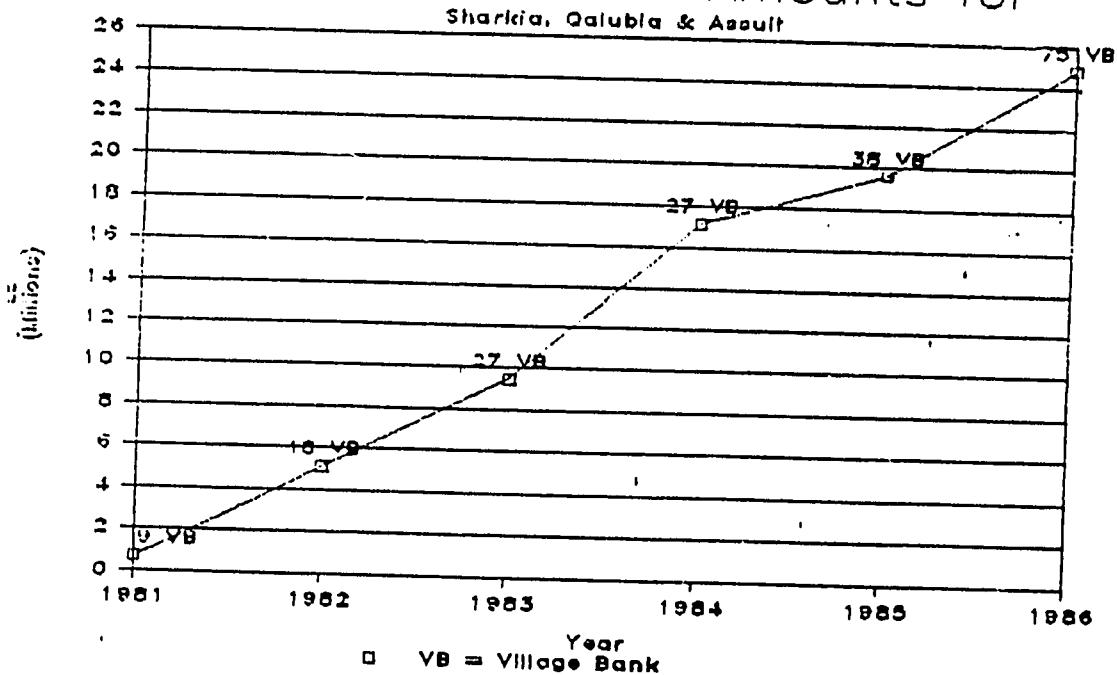


Actual SFPP Loan Mix
Beginning of Project through December 1986

	Number of Disb.	% of Total	Amount Disb. (LE)	% Amount Disb.	Average Loan Size
C P 1/	65,553	56%	12,759,610	17%	195
MEAT & EGGS 2/	24,073	21%	40,014,166	52%	1,662
BREEDING STOCK DAIRY & WORK ANIMALS 3/	14,514	12%	11,964,190	16%	824
FARM EQUIPMENT 4/	10,169	9%	8,975,128	12%	883
LAND IMPROVEMENT 5/	1,587	1%	2,203,420	3%	1,388
FARM RELATED BUSINESS 6/	466	0.40%	750,530	1%	1,611
TOTAL	116,362	100%	76,667,044	100%	659

- 1/ Fertilizer, seeds, plants, chemicals.
- 2/ Calves, sheep, chicken for meat unit, chickens for egg batteries, feed.
- 3/ Baladi Buffalo, improved buffalo, baladi cow, improved cow, goats, sheep, camels, donkeys, rabbits, pigeons, sprayers, feed.
- 4/ Tractor, implements, irrigation pumps, generators, trucks, dairy equipment, poultry equipment, honeybee cells, repairs, sprayers.
- 5/ farm land, non-farm land, irrigation well, building for animals, building for chickens, building for pigeons, repair or renovation.
- 6/ custom operator, processing, marketing, supply.

SFPP Annual Loan Amounts for



END OF PROJECT REPORT
December 1985 through July 31, 1987

QUALITY CONTROL COMPONENT

Anthony J. Monaco
Quality Control (Internal Audit) Specialist

Beginning in December 1985 through July 31, 1987, a credit quality control (internal audit) pilot program was developed for the Small Farmer Production Project (SFPP). The program was instituted in three governorates and the Principal Bank for Development and Agricultural Credit (PBDAC). Prior to this time, the SFPP did not have a quality control program. The project was concentrating on other operations and neglected followup control systems. This delay made it somewhat difficult to institute proper audit programs. As a result, this initial PBDAC/BDAC quality control (internal audit) program is designed as a "damage control" system, i.e., cleaning up problems rather than preventing them.

At the PBDAC level, the program is structured to provide "overview" and supervision of the governorate programs. A manager and his staff are responsible for developing an overall policy and standards as well as programs, methods and procedures for systemwide use. The PBDAC staff are also responsible for visiting each governorate and inspecting the local credit audit department, its programs and results to ensure that the systemwide standards are being met and that proper reporting is made to all levels. The PBDAC staff reports to a senior officer at the Bank. Copies of their work are attached.

In each of the three governorates in which the SFPP was active (Kalubia, Sharkia, and Assiut), a manager and staff have been identified and trained in the credit audit process and programs. Each governorate program evolved differently and has produced differing results:

KALUBIA -

We began with a credit supervisor as manager and used his credit supervisory staff to perform the credit audits. None of these people were committed fulltime to the audit process and they, in effect, were auditing their own work. To their credit, they audited all fourteen village banks under the SFPP and reported their findings as if they were independent of the supervisory function. They then proceeded to correct the problems they uncovered. Copies of their reports are attached. The manager, Mr. Abbas, put together the necessary administration to properly control the department. He

also conducted formal and on-the-job training for his staff. As a consequence of using part-time, supervisory personnel, we lost the ability to be comprehensive in our audits and the system did not realize the full potential of a forward looking internal audit group.'

Sharkia

We began with a credit supervisor as the manager and used his credit supervisory staff to perform the credit audits. Again, none of the staff were committed fulltime to the audit process. However, in this instance, the manager, Mr. Said Yussif was not successful at maintaining independence. Although the staff was properly trained and all audits were completed, the reported results are unreliable. Unreported findings were made and have been used to correct some deficiencies. We know that many errors were found and corrected even though they were never reported. Consequently, the long-term result should be positive. We expect a better audit product in the future but independence will continue to be a problem. Report copies are attached.

Assiut -

We began with an independent manager and staff, gave them formal training and followed up on them in the field. Only one staff person is a fulltime credit auditor but all have good credit and management backgrounds. The department was well organized and administered. In their initial audits, they uncovered many problems including some minor fraud. However, their success led their Chairman to the conclusion that they were the only people he had in the SFFP organization that he could rely on. As a result, he used them to fix the problems they uncovered. This approach stopped the audit program temporarily but a rededication to the effort has begun with additional staffing. In addition, the Assiut credit audit manager, Mr. Zakaria, has now been selected to be in charge of the SFFP Credit and Credit Supervision Department in an effort to improve these areas. Reports from this group are attached. As a result of the findings of this group, the entire PBDAC/BDAC system has begun to question the reliability of their current internal control system.

In the process of developing these departments (PBDAC and Governorate), the necessary administrative and operational material was developed to allow the Egyptian managers to carry forward. A credit audit manual in English and Arabic was written and made part of the SFFP manual outlining the concepts and practical methods and programs to be used. All programs were field tested and revised as needed to fit Egyptian requirements. Training programs, both formal and on-the-job, were developed and documented and proposed policies and standards were issued for discussion. . A

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proposed organizational structure was issued including job descriptions and job requirements.

Due to the limited time involved and a lack of a fulltime commitment by the PBDAC and governorates, progress has been limited although initial results are very good. The ground work has been laid for further development in the PBDAC and all eleven governorates in the proposed Agricultural Production and Credit Project (ACPC).

The major problems facing us under APCP will be to get a firm commitment from the PBDAC and governorates, develop the necessary staffs (to date very few have been assigned fulltime), train them, and make certain they understand the standards required of a good credit audit function. This is attainable under APCP if the PBDAC Chairman is able to keep his staff on track and the PBDAC/BDAC system will assign personnel fulltime. A minor problem we will face under the APCP move into eight additional governorates will be the lack of adequate facilities on-site as we travel overnight. Many locations do not have good hotels nor do they have adequate training facilities for our use.

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KALYUBIA Governorate Bank
(Name)
Six-Month Summary of Village Bank Reviews
As of: 82 - 2 - -1987
(cutoff date)

Name of Village Bank	No. of Loans	Volume in LE	No. of Loans in each Class			Volume Adversely Classified			% Adversely Classified	
			Acceptable	Problem	Loss	Accept	Problem	Loss	Accept	Problem
1 SANDAN HOR	496	258035	468	28	-	214312	43723	-	83,1	16,9
2 KAHIA	445	207912	438	7	-	207526	386	-	99,8	-1,2
3 TERSA	782	306241	760	22	-	290101	16140	-	94,7	5,3
4 AG HOUR	680	274775	485	195	-	215304	59471	-	78,4	21,6
5 SHEBLANGA	504	207433	496	8	-	196682	10751	-	94,8	5,2
6 K. EL ARRIEN	562	231735	435	127	-	147487	84248	-	63,6	36,4
7 K. ELGAZAR	583	352428	555	28	-	305574	46854	-	86,7	13,3
8 BELTAN	384	217495	364	20	-	205646	11849	-	94,6	5,4
9 E. DEGWA	300	180609	275	25	-	156464	24145	-	86,7	13,3
10 TOUEK	106	43928	104	2	-	39158	4770	-	89,2	10,8
11 MOSHTOHR	79	60808	65	14	-	47458	13350	-	78,1	21,9
12 EL DEIR	282	66765	282	-	-	66765	-	-	100	-
13 M. KENAMA	100	67340	100	-	-	67340	-	-	100	-
Totals	5303	2475504	4827	476	-	2159917	315687	-	87,2	12,8

El Sharkia Governorate
Small Farmer Production Project

Mr. Mahmoud Noor
Undersecretary of State
for Agriculture
Ministry of Agriculture
Dokki
Cairo, Egypt

Dear Mr. Noor:

Attached please find the Quality Control Report concernign credit offered by the project in El-Sharkia. During October 1986 four banks were evaluated. Currently evaluation is at a rate of three banks per month starting in November 1986 through January 1987.

Kindly note that evaluation of the bank is based on its standing credit balances as on the end of the month preceeding the evaluation.

Bank General Manager

S.F.P.P. Manager

Nabil Khalifa Sedki

Attachments

SMALL FARMER PRODUCTION PROJECT
Credit Quality Control

- 1st: Banks evaluated during October 1986 - Shenbara, Kafr Ayoub,
Om-el-Zein
2nd: Evaluation of standing credit balances as on September 30, 1986
3rd: Evaluation result:

<u>Village Bank</u>	<u>No. of Loans</u>	<u>Loans Balances</u>	<u>Classification of Loans</u>		<u>Unacceptable Bad Loans</u>	
			<u>Acceptable</u>	<u>Unacceptable</u>	<u>Amount</u>	<u>%</u>
Kafr Ayoub	997	790,443	997	Nil	Nil	-
Om-El-Zein	392	284,758	392	Nil	Nil	-
Shenbara	719	415,009	719	Nil	Nil	-
El Zankaloan	662	713,117	662	Nil	Nil	-
Total	2,770	2,203,327	2,770	Nil	Nil	-

Note: Declaration of past due loans as on September 30, 1987

<u>Village Bank</u>	<u>No. of Past Due Loans</u>	<u>Value</u>	<u>Period of Delay from 30-60 days</u>	<u>Remarks Collected</u>
Kafr Ayoub	3	LE 802/63	-	-
Om-El-Zein	-	-	-	-
Shenbara	-	-	-	-
El Zankaloan	1	LE 152/97	30 days	collected

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1. Loans studies, approvals, follow-up, utilization and collection are according to the correct procedures and credit policy of the project and also according to the instructions received from project management to give the offered credit as much as possible security.
2. Although the results of evaluation show all loans given by the mentioned banks are acceptable loans, in fact this is not quite exact since it is usual to have some unacceptable loans and bad debts.

It was difficult to specify this percentage of unacceptable and bad loans because of the following reasons:

- a. The staff have relatively recent experience with currently adapted evaluation concepts and methods since adequate training is one of the most important bases of understanding the practical and scientific fundamentals of credit analysis (until staff get the sufficient practice). No doubt this requires sufficient time to reach the desired results
- b. Related to the previous reason is the prevalent idea of linking the quality of the credit and its ability to be collected (ie. ability of collection means acceptable credit and vice versa). In fact, this is not the only link; a credit might be acceptable in itself and it is difficult to collect it on time or it may be unacceptable and it happens to be collected on time. This concept we are trying to teach to those who are doing the credit quality evaluation so that it can be carried out as required in the future.
- c. Another reason is the fact that credit quality control covers several different aspects of the credit system process, while what is being done currently is only the evaluation of one aspect which is classification of loans. No doubt that those carrying out the evaluation must know all aspects of credit so as to give an accurate evaluation. We hope to reach that target by continuous hard training.

These are the apparent reasons which might affect the accuracy of evaluating the credit quality control, which we are trying to avoid as much as we can in future.

Kindly note that we are preparing the report of evaluation during November 1986 of three banks and it will be presented to you as soon as possible.

The Bank of Development and Agricultural Credit
 The Small Farmer Production Project
Auditing Department

The 1987 Plan of Credit Quality Control of the Village
 Banks (Small Farmer Production Project)

May	June	July	August	September	October	November	December
Al Maabda	Abnob	Dalrot el Mahata	Dashlot	Kodiet el Islam	Masara	Amshol	Albanha
Al Nikhila	Beni Kora	Sanbo	Al Mousha el Kobra	Mir	Um El Kosor	Fazara	Der Alganadelah
Al Sawalim Al Baharia	Assiut	Al Koisa	Al Hawatka	Beni Rafia	Al Motiaa	Beni Shokeir	Al Badari
Arab Moter	Doina	Manfalot	Minkibad	Beni Odiat	Mosha	Rifa	Al Okal al Bahari
Al Wasti	Al Zarabi	Beni Hossein	Sadfa	Abou Teg	Al Ghanaiem	Al Dower	Bouet
Sahel Selim	Owlad Elias	Beni Mohamad iat	Al Masara	El Hamam	Al Ekal Al Kibli	Nagaa Al Gizera	Beni Mor

ES

Audit Plan
Assiut

Bank of Development and Agricultural Credit/Assiut

Report of Auditing Credit Quality of
Village Bank Maasara Village until the
end of September 1986

Village Bank of Maasara Village was included in the plan of the banks which were audited until the end of September 1986.

The Accountant of the project, together with the Financial Analyst, performed the loans budgets until the end of September 1986.

The auditing staff is formed of:

1. Abd El Mangood Ali Mohamed
2. Hassan Mohamed Nossen
3. Naem Seidhom (Michael) Mikael

The total budgets were audited and it was found that the balances complied with it on September 30, 1986, but it did not comply with the ledger as it was only completed until June 30, 1986. The clients' files were classified as follows:

1. Short term loans and its balance reached: LE 799,259.290 for number of 1088 loans.
2. Medium term loans and its balanced reached: LE 347.973.170 for number of 411 loans.

By auditing the following was obvious:

1. The loans which have losses or problems were clarified in the Final Report of the village bank in detail.
2. The following comments were found on the loans which were acceptable:
 - a. Loan which deviated from the defined purpose of the project and were expended for the banks' employees who are working in the bank or in other locations, or to those who relate with the banks' work, below title improvement of living standards.

The list of these loans is as follows:

First: Loans Expended to the Banks' Employees working in El Maasara:

- | | | |
|----|------------------------------|---------|
| 1. | Samir Labib Hanin | LE 500 |
| 2. | Abou El Soud Taha Mohamed | LE 2100 |
| 3. | Ahmed Sayed Ahmed El Khateeh | LE 1100 |
| 4. | Fawzy Mohamed Ali | LE 150 |

5.	Mostafa Ibrahim Mohamed	LE 800
6.	Ali Mostafa Ahmed Ibrahim	LE 400
7.	Youssef Farag Abdel Mesiah	LE 900
8.	Mohamed Abdel Riheem Mohamed	LE 400
9.	Abdel Fatah Abdel Al Abdel Samea	LE 950

Second: Loans Expended to Bank Employees Outside El Maasara

1.	Alam Eldin Hamed Ismail works in the Governorate Bank personnel administration	LE 900
2.	Ghebrial Habib Ghebrial works in the Wasti Village Bank	LE 600
3.	Ahmed Abdel Al Elian works in El Fatah Branch	LE 900
4.	Soliman Ismail Abdel Ghani a worker in the Governorate Bank	LE 350
5.	Safwat Johny Michael works in the personnel department (administration) of El Fatah Branch	LE 700
6.	Maher Sedik Tamin an employee in the Wasti Village Bank	LE 700
7.	Mahmoud Ahmed Soliman Head of the accounts department in the Wasti Village Bank	LE 600
8.	Anwar Mahmoud Himait Alah driver in the Fatah Branch	LE 800
9.	Rifaat Louis Mosa the manager of the Wasti Village Bank	LE 800
10.	Fathi Mohamed Mohamed Al Khateb the projects auditor in El Fatah	LE 950
11.	Shenoda Fouad Shafik employee in the Fatah Branch	LE 950
12.	Shawki Fahim Iskander manager of El Fatah Branch	LE 650
13.	Mahmoud Zaki Mostafa Mohamed personnel department of El Fatah Branch	LE 900
14.	Mahmoud Mostafa Hamdan first auditor of the Governorate Bank	LE 700
15.	Morris Habib Youssef the banks' cashier of Beni Mor Village Bank	LE 950
16.	Omar Mohamed Tawfik employee in the Fatah Branch	LE 950
17.	Mohamed Mostafa Hassan employee in the Fatah Branch	LE 500
18.	Abdel Hamid Abd Rabo Abdel Hamid employee in the Beni Mor Village Bank	LE 400
19.	Farghaly Abdel Azim Ahmed employee in the Abnob Branch	LE 950

Third: Loans to Employees Outside the Bank

1.	Gamal Azir Shihata agricultural engineer in Maasara	LE 950
2.	Abdou Ahmed Ibrahim Mohamed agricultural inspector of Abnob	LE 350
3.	Hamam Abdalrah Mohamed Hamam	LE 950

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Fourth: Loans Expended as a Result of Guarantees by Bank Employees

1. Mostafa Ahmed Salah LE 1050
guaranteed by Mahmoud Mostafa Hamdan, the first auditor of the Governorate Bank
2. Ahmed Abdel Wahab El Sehaie LE 900
guaranteed by Mahmoud Mostafa Hamdan, the first auditor of the Governorate Bank
3. Ibrahim Mostafa Hamdan LE 300
guaranteed by Mahmoud Mostafa Hamdan, the first auditor of the Governorate Bank
4. Khalal Mahmoud Abdel Halim LE 900
guaranteed by Fathi Ahmed El Khateeb, the projects' auditor
5. Mahdi Ismael Mohamed LE 700
guaranteed by Fathi Ahmed El Khateeb, the projects' auditor
6. Hassan Mahmoud Ali Mohamed LE 500
guaranteed by Fathi Ahmed El Khateeb, the projects' auditor
7. Ali Mohamed Ahmed Hassan LE 500
guaranteed by Fathi Ahmed El Khateeb, the projects' auditor
8. Ismael Zidan Hassan LE 600
guaranteed by Fathi Mohamed Ahmed El Khateeb, the projects' auditor
9. Hamza Mohamed Mohamed El Khateeb . LE 800
guaranteed by Mohamed A. El Khateeb, the projects' auditor
10. Ahmed Taha Omar LE 500
guaranteed by Abdel Rihim Abdel Gibil, the Maasara Bank guard
11. Mohamed Mohamed Abdel Al Mohamed LE 800
guaranteed by Abdalla Amir Taha, the Branch Manager
12. Salah Soliman Azoz LE 600
guaranteed by Ali Mohamed Hamdan Hassan, the manager of El Sawalim Village Bank
13. Youssef Shafik Yakouh LE 600
guaranteed by Safwat Johny Michael, in the El Fatah Branch personnel department
14. Sayed Abdel Naem Ahmed LE 1200
guaranteed by Abdel Fatah Abdel Al, an employee in El Maasara Village Bank
15. Mona Saleh Michael LE 900
guaranteed by Mohamed Sayed Amir, the manager of A. Job Village Bank
16. Gamal Kithar Gad Alah LE 200
guaranteed by Samir Labib, the projects' accountant in El Maasara
17. Sayed Ali Ahmed Mohamed El Khateeb LE 900
guaranteed by Ahmed Sayed El Khateeb, the head of the accounts department in El Maasara Village Bank
18. Mahmoud Abdel Al Mohamed Ali LE 900
guaranteed by Ahmed Sayed El Khateeb, the head of the accounts department in El Maasara Village Bank
19. Mohamed Sayed Ahmed El Khateeb LE 2100
guaranteed by Ahmed Sayed El Khateeb, the head of the accounts department in El Maasara Village Bank
20. Ahmed Abdel Al Ahmed El Khateeb LE 600
guaranteed by Ahmed Sayed El Khateeb, the head of the accounts

- | | | |
|-----|--|--------|
| 21. | Salah Abdel Al Sayed | LE 800 |
| | guaranteed by Abdel Fatah Abdel Al, in El Maasara Village Bank | |
| 22. | Tharwat Hana Seif | LE 950 |
| | guaranteed by Samir Labib, the accountant in El Maasara Village Bank | |
| 23. | Ezat Sharmokh Hana | LE 500 |
| | guaranteed by Hilal Sharmokh Hana | |
| 24. | Mahfouz Khalaf Alah Mahfouz | LE 500 |
| | guaranteed by Mohamed Sayed El Khateeb | |
| 25. | Khalil Awad Khalil | LE 950 |
| | guaranteed by Mohamed Sayed El Khateeb | |
| 26. | Shokr Alah Amin Azir | LE 900 |
| | guaranteed by Abou El Soud Taha, in the El Maasara Village Bank | |
| 27. | Mohamed Abdel Monaem Ahmed Farghaly | LE 950 |
| | guaranteed by Farghaly Abdel Naem Ahmed Farghaly of the Abnob Branch | |

Fifth: Loans Expended as a Result of Guaranteed by Agricultural Engineers

- | | | |
|----|---|--------|
| 1. | Ali Mostafa Mohamed El Tamawi | LE 900 |
| | guaranteed by Yasin Youssef Mohamed (agricultural engineer) | |
| 2. | Ahmed Mostafa Ahmed El Tamawi | LE 900 |
| | guaranteed by agricultural engineer Yasin Youssef Mohamed | |
| 3. | Ahmed Ali Ahmed Hassan | LE 950 |
| | guaranteed by agricultural engineer Yasin Youssef Mohamed | |
| 4. | Thabt Sayed Ahmed | LE 700 |
| | guaranteed by agricultural engineer Yasin Youssef Mohamed | |
| 5. | Abdel Ghani Rizk Khalil | LE 900 |
| | guaranteed by agricultural engineer Yasin Youssef Mohamed | |
| 6. | Abdon Ahmed Mohamed Sayed | LE 900 |
| | guaranteed by agricultural engineer Yasin Youssef Mohamed | |
| 7. | Gouda Mohamed Gouda | LE 800 |
| | guaranteed by agricultural engineer Yasin Youssef Mohamed | |
| 8. | Mahmoud Salam Osman | LE 600 |
| | guaranteed by agricultural engineer Yasin Youssef Mohamed | |

Sixth: Exceeding the Credit Approval Authority of the Financial Analyst

- | | | |
|----|--|---------|
| 1. | Raquim Abdel Al Soliman | LE 3000 |
| | was cashed with the sole approval of the financial analyst | |
| 2. | Mohamed Abdel Latif Mohamed Galal | LE 2450 |
| | was cashed with the sole approval of the financial analyst | |
| 3. | Younis Ali Younis | LE 2800 |
| | was cashed with the sole approval of the financial analyst | |

The correct accounting procedures were not followed in issuing loans (several loans have been merged into one loan):

Examples:

- | | |
|----|--|
| 1. | Ahmed Mohamed Darwish Soliman |
| | - LE 1750 was cashed for sheep fattening on 12/11/85 |

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2. Abdel Hamid Mohamed Attia
- LE 500 was cashed for sheep fattening on 17/11/85
 - LE 75 was cashed for wheat servicing on 17/11/85
 - LE 40 was cashed for wheat servicing on 17/11/85

Duplication of Cashing the Loan (once from the bank and another from the project):

Example:

Saida Ghaneeb Bikhit

- cashed LE 3600 for bull fattening on 10/10/85
- cashed LE 2000 for bull fattening on 30/4/86 (from project)
- cashed LE 1950 for bull fattening on 21/1/86 (from the bank)

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The Executive Manager
Small Farmer Production Project

Dear Sir:

We would like to report that the auditing staff of the Project have reviewed credit quality in nine (9) village banks. These are the following:

1. Mosha Village Bank
2. Rifa Village Bank
3. Maasara Village Bank
4. Assiut Village Bank
5. Wasti Village Bank
6. Beni Mor Village Bank
7. Alzarie Village Bank
8. Abou Tig Village Bank
9. Beni Mohamadiat Village Bank

We have reported the results of the credit quality auditor in these banks as soon as it was feasible to the projects' credit management in time, so as to correct the situation and to prepare, in writing, the final auditing report (since the auditing task is to correct, direct and supervise the credit system staff in reaching a correct and safe performance by banks.

Several notes are summarized as follows:

- a. In Rifa Village Bank the financial analysis system has recorded the maturity dates of summer loans as due in February and March of the following year.
- b. In Wasti and Maasara Village Banks loans have deviated from the banks' purposes in the form of approval of loans to those working in the bank or guaranteed by them, or to agricultural engineers or guaranteed by them, as well as the loss to Mr. Makbol Hassan Makbol, and also a problem in the loan to Mrs. Zeinab Saad Ali as a result of a bad analysis of this loan.
- c. The occurrence of an assumed loss in two expended loans by the Village Bank of Assiut to the clients Nabil Henry El Abassy and Zakaria Ibrahim Nefady, due to the absence of guarantees and also to the inaccuracy in handling the financial analysis.
- d. The big loans offered to the wife and relatives of the financial analyst of the Village Bank of Abou Teig and also the large loans of some clients which extend it beyond the limit of the small farmer.

- e. Some of the clients in the Village Bank of Bani Mohamadiat had expended loans and repayed it in the same day which makes it suspicious that the client repays the loan from the revenue of his project or crop, but it is repayed from expending another loan.

It should be noted that this is an initial report, as it is the first report for the auditing department and it is a call for promoting the connection of the credit pathway and has been given much care to the quality of the loan.

Faithfully,

Hassan Mohamed Nosseu