AGENCY FOR INTERNATIONAL DEVELOPMENT

Cairo, Egypt

Mid-term Evaluation

Egypt: Coopetive Marketing Project
(263-0095)

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DPG - Development Program Grant

CLUSA - Cooperative League of the United States of America

OPG - Operational Program Grant

PSC - Personal Service contract

UCS - United Cooperative Society of the Socities for Marketing of Vegetables and Fruits in Lower and Central Egypt

IBRD - International Bank for Reconstruction and Development

PBDAC - Principal Bank for Development and Agricultural Credit

AID - Agency for International Development

MOA - Ministry of Agriculture

CP - Conditions Precedent to Disbursement of Funds

PVO - Private Voluntary Organization

ORDEV - Office for Reconstruction and Development of the Egyptian Village

TA - Technical Assistance

Executive Summary

Project 263-0095 is a direct result of an earlier Development Program Grant (DPG) awarded to the Cooperative League of the USA (CLUSA). The DPG permitted a CLUSA team to travel to Egypt, establish contact with Egyptian cooperatives and identify potential projects. Although CLUSA did not assume official responsibility for writing the project paper, the initiative was clearly theirs. The Project did not represent part of the AID country program strategy and would not otherwise have been undertaken without CLUSA's support. Nevertheless it was USAID/Cairo that gave final approval to the project. CLUSA was awarded on Operational Program Grant (OPG) in October, 1979.

The original project proposal was flawed in several ways. In the first place, the proposal was not based on an informed understanding of the Egyptian cooperative system. Secondly, the proposal over-estimated the structural coherence and experience at managing credit programs of the cooperatives. Thirdly, the proposal over-estimated the ability of the cooperatives to intervene in the market place with their produce, especially with their vegetables. Finally, an integral element of the proposal was a $10,000,000 infrastructural development program to be financed by loans from Bank Misr with IBRD monies. For a number of reasons these funds never become available. Several of these problems with the proposal appear to grow out of emphasis on study of the Alexandria cooperative at the expense of the three other member cooperatives in the UCS. Alexandria turns out, however, to stand apart from the three others in many respects.

The four organizations, called marketing cooperatives, that currently form the membership of UCS (an entity created, essentially, for this project) existed and functioned well before the implementation of Project 263-0095.

The Alexandria cooperative is the oldest, founded in 1929. It is a fruit and vegetable cooperative which markets the produce of its members through its stall in the Alexandria auction market. It has been negotiating bulk loans from the Principal Bank for Development and Agriculture Credit (PBDAC). This money is then lent out to member farmers. Farmers repay their credits by marketing produce through the cooperative. The cooperative managers guarantee the marketing function with their personal assets. For this service they receive a substantial share of the annual profits of the cooperative.

The other three cooperatives (Gharbia, Menufia and Beheira) are firmly established potato marketing cooperatives. Their position amongst potato growers has been established by a GOE decree that all potatoes for export have to be sold to exporters through marketing cooperatives. These three marketing cooperatives have had access to the English market for King Edward potatoes for several years.

The cooperative marketing project has three purposes: to increase the efficiency and effectiveness of private agricultural marketing cooperatives; to provide capital for production credit; and to establish an institutional framework to give management, cooperative development and marketing guidance to other groups in Egypt.

Project inputs on the USAID side are a $3.35 million revolving loan fund and a technical assistance package mainly in the form of a $1.237 million OPG with CLUSA.

Project outputs were expected from the revolving loan fund were:

a. increased production funding capacity at UCS

b. increased fruit and vegetable production.

Project outputs expected from the technical assistance were

c. a group of trained Egyptian personnel

d. an efficient and effective fruit and vegegatable marketing system

e. an improved administration/operation capacity at UCS

f. improved quality control in fruit and vegetables brought to market.

At the time of this evaluation, measureable progress has been made toward only ouptuts (a) and (e), yet UCS administrative/operation capacity continues to be woefully inadequate.

The grant agreement for the project was signed between AID and the MOA on September 15, 1979. As noted in the project paper (Page 36), the design team expected the revolving loan fund to begin operating on the fifth month after the agreement was signed or February, 1980. The first loans were not disbursed until December, 1980, ten months later than expected. The delays were caused by the slow arrival of CLUSA's permanent staff, by complex negotiations necessary among all four UCS members and the UCS central office to meet the conditions Precedent, by the need for AID to negotiate a regrant agreement with the MOA and by a need to modify UCS credit policy under which no farmers were able, in practice, to qualify for product loans. The credit policy that caused this logjam had been hammered out to meet the CP's by the central UCS office and the four UCS member cooperatives with the technical assistance of a CLUSA consultant. When CLUSA and AID realized that project implementation would not begin under established credit policies, a decision was made to relax the constraints on credit disbursement for a limited pilot program. This was done for purposes of expediting implementation.

The objectives of the CLUSA OPG were heavily weighted toward support for UCS marketing efforts. However, as it became evident that the project paper, could not be effectively implemented, the CLUSA team changed the focus of the project. Marketing, by far the most important task in the CLUSA mandate, was radically downgraded. Farm survey data collection and analysis, another OPG objective, was never carried through to the point where it could be used for meaningful information. Training functions were postponed. Institution building was refocused from exclusive concern with UCS to shared concern among UCS and each of the four member cooperatives.

One feature that sets this project apart from the majority of AID funded projects is the prominent role played by a PVO, CLUSA, in its development and implementation. CLUSA was involved from the earlist point in the conceptralization of the project. It is possible that the devolution of certain project identification, design and implementation functions from AID to CLUSA can be justified from a cost/benfit point of view. However, there is no evidence that the long-term involvement of a PVO from identification through implementation work either to the advantage or disadvantage of project effectiveness.

The major motivation for cooperative membership amongst farmers in Alexandria has been access to working capital. For potato farmers in the other three governorates the attraction is the GOE established export system. Therefore, future recruitment of farmers into the cooperative system is dependent upon increasing access to working capital on the one hand and expanding the markets (especially export) beyond potatoes on the other.

The working capital made available by the revolving fund, LE 2.345 million, has, to date, been used at no more than 40 percent capacity. No more than LE 940,000 has been out on loan at any one time. The evaluation team has found that the reason for this is that working capital is no longer a constraint upon farmer production in the way it was when the initial study for this project was carried out. Since that time the PBDAC has made loan money available to every farmer, although farm inputs available through the Bank are limited.

The promise of new markets for farmer production has been slow to materialize. For this reason many farmers are not yet ready to cut their traditional ties with the local middleman.

UCS has begun to play the role of potato exporter. It handled the exporting of approximately 10 percent of member's production in 1981-82. For this portion of the potato export market UCS was able to eliminate one link in the marketing chain (the exporter) thereby bringing a higher return to potato farmers. In this it was successful. UCS intends to increase its role in the potato export market next year and expand its marketing of fruits and vegetables beyond Alexandria. By achieving that UCS and CLUSA expect to put the project back on track (albeit belatedly) toward the original objectives.

In order to meet these objectives the evaluation team recommends the following be done immediatly:

1. UCS should explore financing of infrastructure through an arrangement with local village councils. The village councils could build the much needed facilities under loans from ORDEV through the Development Decentralization Project, 263-0021. A long-term lease agreement would give the UCS full control of the facility while generating revenues for the village conucil. Exploratory discussions with Development Decentralization Project staff were positive.

2. CLUSA should design and implement a study/training program which, while giving hands-on experience to the UCS staff, will research out programs for producing, transporting, storing, processing, packing and marketing produce. The program should de designed to train personnel while, at the same time, moving more aggressively than has hitherto been the case, to secure markets for produce. Short-term consultants who have had hands-on experience in marketing (such as retired jobbers or wholesalers) should be sought out. It should be the responsibility of the full-time CLUSA marketing consultant to recurit this king of TA. Additional funds should be allotted for this activity.

3. CLUSA should make an effort to collect reliable farm survey data as required by its OPG. Lack of such data makes an assessment of project impact very difficult.

4. The current project loan fund could support only 8% of the cooperatives membership in any one season. UCS should explore the creation of a blocked interest bearing account with the PBDAC using repaid loans from the revolving fund. This account could be used as

collateral for the PBDAC to make large bulk loans to the UCS. The ratio of collateral to loan would have to be negotiated depending on the loan reimbursement rate of UCS members. To date there have been no defaults. So a minimal collatoral should be able to generate a large number of loans.

5. This project should be extended one year beyond the PACD of March 31, 1983 with increased funding to cover the CLUSA grant for one more year. This recommendation is made despite the poor start of this project for the following reasons:

a. It is too early to have an accurate measure of project progress solely in terms of its objectives. Furhter time would be required.

b. ClUSA is providing important TA to cooperatives in financial and credit management.

c. Only now (Spring 1982) have farmers realized for the first time the benefit to them of UCS serving as an exporter.

d. CLUSA has begun assisting UCS in some market research and planning. A watermelon marketing plan was their first significant output. Other plans are being worked on.

e. The potential of UCS in serving as a strong bargaining agent for negotiating bulk loans and good market prices remains high.

f. This is not a Government cooperative and farmers can leave it and return to the middleman at will. Yet their participation is increasing for various reasons (including cheap loans). As far as they are concerned, this project has been around for only a year. They are waiting for some results. To pull out now would be letting them down.

g. Despite its lackluster performance, the objectives of the project remain realistic and actionable. It is realistic to aim production in the absolute. At the some time it is realistic to aim at increasing the volume of this production marketed both domestically and overseas.

6. The UCS must appoint an effective General Manager without delay. The extension of the PACD cannot be carried out without him or her. The evaluation team feels the presence of a general manager is so important that AID/E and CLUSA should not agree to extend the PACD until this person is on board. One of the first tasks of the new general manager will be to study the question of engaging further staff.

7. CLUSA should break the logjam on training. It should take the initiative by training such staff members as there are at UCS, the risks of this policy notwithstanding.

The above seven recommendations should be implemented immediately. They address themselves to issues which relate to whether or not the project will be able to overcome fundamental problems that threaten its viability. The following recommendations, if implemented will, while not critical, strengthen the project and increase the benefits it offers its target group:

1. Fruit and vegetable farmers have need of special production inputs which are in very low supply in Egypt. The grant agreement should be modified to permit UCS to use grant funds initially to import these inputs. Later, as the PBDAC takes over the credit responsibilities of this project it should also be assisted in taking over the responsibility of supplying the special inputs. These inputs would be sold to farmers on the same credit basis as is now established for the cash credit

fund. As these items (such as special insecticides, fertilizers and small equipment become more widely adopted, their domestic production may be stimulated. Eventually the need for import would be eliminated. This recommendation should be implemented only if the GOE will permit the replenishment of the input purchase funds from hard currency earnings from UCS export activities.

2 While limiting project support of citrus production to 8% of revolving fund loans, the other 92% no longer should be differentiated for vegetables, potatoes and fruit other than citrus.

3. CLUSA and the UCS should initiate some form of outreach program to bring information about project objectives as well as various types of technical information to small farmers. At the same time, farmer groups of some sort could feed information back to project management through project outreach channels.

4. Part or all of the technical assistance needed in production and packaging can be sought from "The Agriculture Development Systems" Project 263-0041 and "Small Scale Agricultural Activities" Project 263-0096. Technical assistance in the marketing sector may be requested from the ST/RAD (MD) "Small Farmer Market Access" Project 936-5313

Acknowledgements

The team charged with evaluating the Cooperating Marketing Project (263-0095) arrived in Egypt on February 16 and 17, 1982. It submitted a first draft of its report for comments on March 8. The first of the

three intervening weeks were spent in consultation with a number of informed AID, GOE, CLUSA, and UACS individuals. That week was also spent going through the AID/E files on the project. The second week was spent in the field in the company of CLUSA and UCS personnel visiting UCS headquarters and UCS member cooperative operations in the four concerned governorates. The last week was spent essentially writing and clearing up as many points of confusion as the evaluation team was aware.

An exercise of this nature, done so rapidly by people essentially unfamiliar with the project's history owes a debt of gratitude to a large number of people who made it possible. We have tried to cite the names of all the people to whom we are indebted for enabling us to produce this report. Their names are at the back of the report. We apologize to anyone whose name we overlooked. We have met so many people and they have all been so kind, hospitable and helpful. May this blanket acknowledgement cover all those whose names we have missed.

We have tried to do justice to the project. Of course, in three weeks it is not possible to acquire a thorough going knowledge of the project. As is always the case, therefore, we must thank everyone for helping us come as far as we have come. Without their concern and cooperation, nothing would have been possible. The burden of any misinformation, or lack of clarity in the report we must take upon ourselves.

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I. INTRODUCTION

A. Implementation Analysis

By 1962 cooperatives were established in every farming village as agents of the government to implement its policies and programs. Those cooperatives operating in crops that were not Government controlled, such as fruits and vegetables, were allowed to function like private sector enterprises. Fruit and vegetable coopertives primarily provide farmers with a marketing service. Such a service may consist of a market place in the nearest population center where members can sell their produce. Other cooperatives were collecting and hauling the farmers' produce to a central market. The most sophisticated fruit and vegetable cooperative has its headquarters in Alexandria.

Although these cooperatives were not governmentally controlled, they nevertheless functioned in the same topdown manner with all decision making left to a handful of well-to-do farmers who have continued over the years to remain the private sector cooperative leaders.

The potato Growers Cooperative, in 1971, became the "mother" cooperative for all associations whose members produce at least 20 feddans of potatoes and wish to avail themselves of its assistance in importing seed potatoes, providing cold storage facilities and exporting King Edward potatoes to England.

The local cooperatives of Menufia, Gharbia and Beheira are members of the Potato Growers Cooperative. However, like the Alexandria fruit and vegetable cooperative, they each have been functioning autonomously for over twenty years. For example, the cooperative in Gharbia has constructed its own storage facility. Alexandria has negotiated its own block loan from the Pinciple Bank for Development and Agriculture Credit (PBDAC).

Only upon the implementation of project 263-0095 in 1979 have these four independent cooperatives joined together to form the Union of Cooperative Societies (UCS). This was done with the expectation that such a union would facilitate the delivery of easy credit, new infrastructure, technical assistance and access to new markets and production resources. In the case of Menufia, Gharbia and Beheira it was hoped that their export portfolio would diversify from the single product of potatoes to an array of fruits and vegetables. Alexandria also was hopeful of using UCS to tap into the export market.

B. PROJECT DEVELOPMENT HISTORY

1. Early CLUSA Involvement:

The CLUSA involvement in the Cooperative Marketing Project (263-0095) began with a request of Egyptian members of the International Cooperative Alliance that a CLUSA team be sent to explore the possiblity of establishing long-term relationships between American and Egyptian cooperatives. Meanwhile CLUSA discussions with the AID mission were directed toward identifying areas of mutual concern and interest in Egypt. CLUSA sent a four member team to Egypt in February 1977. This activity was financed by a centrally funded CLUSA development program grant. The team spent two weeks there.

Subsequent discussions led to the arrival of a three member CLUSA team in the last quarter of 1977 to perform necessary research and prepare preliminary outlines for a small number of potential projects in the cooperative sector. The team produced a report which bears the title "Report on a Review of Agricultural Cooperatives and Agricultural Credit." One of the team members visited the Alexandria Fruit and Vegetable Marketing Cooperative.

In late March 1978 CLUSA and the Egyptian Ministry of agriculture agreed that CLUSA would build on the observations of its consultant's visit to the Alexandria cooperative project of some sort. A CLUSA consultant arrived in Egypt in early May 1978 to begin the development of what was to become the PID. Up to this point the project had been developed out of CLUSA DPG money.

2. The PID and the PP:

The PID was released on December 4, 1978. It had evolved from earlier CLUSA studies by a process of discussion and analysis with USAID/E staff. One concen of the Agricultural Office at USAID/E at the time was the magnitude of proposed infrastructural development credits. At $10 million they dwarfed the other components of the project. At that point it was believed that Bank Misr would supply these credits. The evaluation team has not been able to determine the basis for this beliefs. In early January 1979, CLUSA recommended that the Bank Misr scale down these credits to $2 million. Another concern of the Agricultural Office at USAID/E at the time was the lack of a central body to contact other governorate cooperatives and a central structure into which to incorporate them if the project was as successful as expected at the level of the four original participating cooperatives. The United Cooperative Society of the Societies for Marketing of Vegetables and Fruits in Lower and Central Egypt was recognized as fully register- ed with the Ministry of Agriculture Undersecretary of Cooperative Affairs on December 12, 1978.

AID/W approved the PID in January, 1979. Meanwhile, USAID/E was aware that CLUSA hoped to carry the project through its PP design and submit the project as an unsolicited proposal to implement under an OPG.

After 2 months of internal debate AID/E decided CLUSA could be given the right both to design and to implement the project. The design team arrived in Egypt on May 7, 1979. Due to lapses in CLUSA/AID contracts. Team, members, while nominated by CLUSA and participating in previous CLUSA activities on this project, were not provided on CLUSA contract at this point.

During the period of project proposal development CLUSA raised two concerns that have had important implications for project implementation. First, CLUSA resisted the presence of a credit advisor on what was expected to be the CLUSA contingent of the project design team. At that point the IBRD which was backing the Bank Misr loan was expected to participate in project design. CLUSA did not want to take responsibility for loan monitoring during project implementation. Second, the CLUSA team raised the question of the large debt UCS would incur for infrastructural development. Would UCS be capable of handling such a large debt visited upon it in one fell swoop at the beginning of implementation when it had so many other concerns?

John Sandback, Director of International Program for CUISA, had provided the evaluation team with the following account of the project design effort:

CLUSA's first draft of a possible project in fresh fruit and vegetable marketing cooperative development, undertaken by a two-man consulting team, described a broad expansive development activity calling for approximately $20 million, and included funding for infrastructure, production credit, technical assistance and training.

ISAID's response to this broad brush paper was to narrow the scope of potential direct USAID funding involvement, but to propose to proceed with a more in-depth study and preparation of a possible project paper. CLUSA could not solicit funding for technical assistance to a development activity without describing the broad area of activity in which the technical assistance would provide an ingredient in institutional development and operations. But CLUSA did not intend to propose to be the channel for nor the manager of all of the funding which would be appropriate to the overall development intended to be assisted.

AID therefore at that point assumed the principal role in developing a project paper related to this potential activity area for coooperative development, without a specific commitment intended nor possible that CLUSA would have a role in implementation of any final project as might be approved. USAID hoped, however, to be able to utilize the experience and contacts established by the preliminary CLUSA consultant team, and proposed to contract CLUSA to continue the services to these consultants on a project design team. This did not result feasible, and USAID contracted the individuals directly with no participation by CLUSA. The team assigned to develop the project paper was always intended to be directed by a USAID staff person. And since CLUSA continued to understand that no commitment could exist on the part of USAID as to any future CLUSA participation in the implementation of any project which might result from the Project Paper, CLUSA formally notified the USAID that CLUSA would propose not to review or otherwise see the results of the proposed team's work, but would prefer to present to the Mission independent of the effort a proposal for a technical assistance and training project for which CLUSA would solicit funding in support of fresh fruit and vegetable market coopertive development activities.

It is important to clarify that the development of a specific USAID Project Paper, although it benefitted from previous CLUSA inputs in conceptualization and field work, at this point became an undertaking of the USAID. This USAID undertaking resulted in the formulation of a project which was considerably different from, but not in conflict with earlier CLUSA preliminary suggestions. USAID eliminated consideration of direct AID funding of infrastructure; USAID proposed a significant funding input for a revolving fund for production credit to be managed by the UCS; USAID reserved for the USAID the control over funding for international training; USAID proposed a significant technical assistance compnent; USAID also reserved control over a contingency fund and a separate fund to permit adjustment for inflation during the implementation. Where CLUSA had proposed a geographic area not limited to the Delta region, and had in fact had substantive conversations with cooperatives in other geographic areas, the USAID project paper concentrated development activities during the proposed three year life of the project, in the Delta and related to four existing cooperatives already identified by CLUSA and the USAID.

The design team arrived in Egypt on May 7,1979. The Project Paper was approved at the end of July, 1979. PP development was financed by PSCs directly with the CLUSA nominated members of the design team. Strictly speaking CLUSA was not involved with field members of the PP team although the PCSs were with people who had been previously involved with the development of this project for CLUSA.

3. <u>The Goal and Purpose of the Project</u>

The goal of the project is to contribute "to the overall national goal of increasing small amd medium size of farmers income while simultaneously reducing costs of perishable crops to consumers;" (PP,6). The project has several purposes. In the order they are presented in the PP, they are:

a. "To increase the efficiency and effectiveness of private agricultural marketing cooperatives;

b. "To provide sufficient capital for production credit to stimulate a fruit and vegetable production increase of 30 percent;

c. "To establish in Egypt an institutional capability to provide management, cooperative development and marketing guidance to other cooperatives and farmer organizations.")PP,7).

At the time of this evaluation the project has had some success in meeting each of these objectives.

4. The Outputs and the Benefit Steam

As outputs the PP foresaw during LOP:

a. "Six long-term trainees and 42 short-team trainees...assigned to positions in the UCS organization;

b. "Upgrading of a select cadre of UCS management personnel, ...procurement of essential commodities and...establishment of a revolving loan fund;

c. "An improved administration-operation capability...achieved through a concentrated program of techncial assistance and training;

d. "Development of a marketing system that entails improved quality controls;

e. "An important production credit program...to provide the UCS with funds for an expansion in the production of fruits and vegetables by the producer-menber." (PP. 15-16).

The PP foresaw benefits to the project at two levels. First, benefits would flow to the producer member in the form of an increase in net farm income. Second, benefits would flow to the consumer in terms of supply and quality of available horticultural crops. The target group of the project, however, was the small farmer located on the four governorates. The project was intended to lower his production and marketing costs and improve production and marketing support services available to him.

At the time of this evaluation progress toward these outputs has been very limited. Little training has been done. The revolving fund is in place but staffing at UCS and infrastructural development remain serious problems. UCS has been strengthened as an institution. Few new marketing initiatives have been made. Despite the operation of the revolving fund there is no evidence for increases in production due to the project.

5. Project Inputs

The project can be said to have three major inputs. The first is loans for infrastructure development, the second is credits for the revolving fund, the third is technical assistance and training. The funds for infrastructural development have never been found. Why the PP speaks with such assurance on the prospect of a Bank Misr loan and why the level of the anticipated loan remains at $10 million remains a mystery given the pleas and demurers recorded in the months preceding project design. By late January, 1980 the possibity of Bank Misr and IBRD funding of infrastructure was abandoned.

The grant agreement for the revolving fund was signed with the MOA on September 15, 1979. The first loans were disbursed in December, 1980.

This was 10 months later than expected in the PP. The maximum amount of credits out on loan for the project at any one time, LE 940,000, occurred in December 1981. This represented about 40% of the funds available.

CLUSA signed an operational program grant with AID on October 6, 1979 to provide the technical assistance and training for the project.

CLUSA objectives under the grant were:

a. to create an orderly and efficient produce marketing system in the UCS Zone;

b. to develop a plan for systematic marketing of farmers' produce;

c. to assure an orderly flow of produce to markets;

d. to develop data collection on member production and processing of fruits and vegetables;

e. to develop a sound training system for UCS staff;

f. to develop a cadre of professional commercially trained staff within the UCS;

g. to create a capability in the UCS to develop and excute marketing plans.

In fact CLUSA has to date been able to guide the project to measureable progress only on the last of these objectives.

Infrastructional development does not appear in the project purpose and appears in only one phrase in the presentation of project outputs. That is, of course, because the AID financed project did not foresee AID involvement in infrastructure development. On the other, hand success of other components in the project is predicated, on the existence of infrastructure.

The revolving loan fund was intended to make the credits available the production increases defined as the second project purpose. The establishment and effective operation of the revolving loan fund was seen, in itself as an important project output.

Clearly the focus of the project from the USAID point of view, judging space devoted to its implicit outputs and to its implicit purposes, is technical assistance and training. The first and third project purpose can be realized only through an effective technical assistance and training component. Only the last of the project outputs as listed is not a function of effective technical assistance and training. This means that the focus of the evaluation of the project must be on effectiveness of the OPG mechanism and of the CLUSA team in particular in project identification, design and implementation.

6. Summary

In brief this project was launched through the initiative of an American PVO. The costs of project development were low. There were no feasibility studies, no studies of marketing potential, and few contacts with officials or members in the cooperative movement in three of the four governorates that are UCS members. As designed the project is heavily biased toward promoting vegetable marketing as opposed to potato or fruit marketing. The former is the specialty of the Alexandria cooperative while potato marketing is the specialty of the other three. This fact coupled with the intneors and activities of the various teams leading to the PP lead to the suspicion that the project design was based on a good knowledge of the operations of the Alexandria cooperative which was extra polited to get the other three cooperatives.

The design of the project assumed that it involved four mature, experienced cooperative organizations. It was felt that all four had substantial experience handling production programs and credit programs. In fact this proved to be the case only in Alexandria. The original concept of the project was to concentrate on marketing functions, as shown in the objectives of the CLUSA OPG, on the assumption that production and credit functions were already assured by the experience of the cooperatives. Otherwise the project focused on building UCS as an institution. As the CLUSA Chief of Party wrote, "There was an assumption that each cooperative had marketing programs and also production loan programs. In reality only Alexandria had these types of programs and only an auction marketing activity. In effect the coooperative system where UCS is the apex organization has no structured program that is operational except for Alexandria's limited program and the export potato collection efforts of the other cooperatives: (H. Preston to E. Martella, September 15, 1981).

C. PROJECT IMPLEMENTATION:

1. Conditions Precedent

The project had two sets of conditions precedent. The first set governed the transfer of revolving fund credits to UCS. Essentially this required only that evidence by presented of the juridical existence of UCS. These conditions precedent were met on October 11, 1979. This was well within the 90 day period after signing the grant agreement set in theat document for meeting the CPs. The second set of conditions precedent governed the disbursement of loan by UCS.

Essentially this required, First, that evidence be shown of the establishment of a bank account and, second, that a statement of lending policy be established and furnished. This second set of conditions precedent were not satisfied until April 21, 1980. The delay was caused by the requirements of drawing up the statement of lending policy. A CLUSA consultant assisted this undertaking. However, it took several months to gather proposed conditions, research out their implications, get their approval by the UCS Board of Directors and the acquiescence of AUD.

2. Regrant Agreement:

In the meantime AID/E realized that the terms of the grant agreement made the MOA responsible for the grant money. UCS was to be lent the money from the MOA but would not be responsible to AID. AID therefore had to negotiate a regrant amendment with the MOA to have the money and responsibilities to AID passed directly to UCS. The regrant agreement was signed between the MOA and UCS on May 12, 1980.

3. Staffing Problems:

Other factors played an important role in delaying the beginning of implementation. Staffing up by CLUSA took longer than expected. Two of the contractors who seemed to be committed to the project had to withdraw for personal reasons. An interim director for the CLUSA side arrived in January, 1980. He remained until April 1980 when the present CLUSA director arrived. Similarly, CLUSA sent out an interim market advisor from July, 1980 to January, 1981. The present CLUSA market advisor arrived in March, 1981. The presence of the CLUSA production advisor and of the credit and financial advisor dates from April, 1981.

On January 16, 1980, when the interim CLUSA director arrived at his post UCS had almost no staff. The quarterly report for the period ending April 30, 1980 says, "At this point in time perhaps the most serious constraint to CLUSA's carrying out its obligations is the lack of key personnel in UCS. Until these people are appointed this will remain the greatest obstacle to CLUSA effectively carrying out its obligations." This problem of inadequate UCS staff has bedeviled implementation since the beginning of the project. It has been a constraint on the project cited in every quarterly report. As pointed out in the quartely report for the period ending July 30, 1980, "disbursing loans, program development and marketing arrangements cannot take place in UCS until key personnel are appointed." Or again, in the July, 1981 monthly report "the lack of adequate, permanent staff continues as a primary concern. The need for CLUSA counterparts, development of staff, training programs and delays in implementation of approved programs are the types of concerns that result from lack of adequate and permanent staff. The problems of appropriate reports has already been discussed. We believe lack of marketing initiatives is also a result of the staffing problem." To this day, for example UCS has no general manager. The evaluation team recommends that an effective general manager be appointed as soon as possible. The evaluation team feels so strongly on this point that it recommends that the implementation of other recommendations, principally in regard to extending the PACD by one year, be reassessed in terms of the presence of a general manager. He will act as a sort of guarantee that they will be faithfully followed. One of the first tasks of the new general manager will be to study the question of engaging further staff.

The funds for the revolving credit account were actually received by UCS in June, 1980. As mentioned above the account, however, experienced no activity until December 1980 when the first loans were disbursed to farmers.

4. Reorientation of Project:

It was during the critical period between the signing of the regrant agreement and the disbursement of the first loans that the project went through a major reorientation. This came about mainly as CLUSA and AID/W understanding of the deficiencies of project design and the actual constraints on the project became clear.

The quarterly report for the period ending July 30, 1980 mentions that the project had originally expected to disburse LE 1 million during calendar 1980. When the funds for the revolving credit program were transferred to the UCS account the entire allocation in the project was transferred at once. This sum amounted to LE 2.345 million. Given what was then believed about the cooperatives' experience, management capabilities and the general demand for credit, it was reasonable to believe that, in a matter of 12 months after creation of revolving fund all the monies would be disbursed. By March 25, 1980 the CLUSA marketing consultant was able to hint at the problem in a letter to the interim project director. "The amount of loans in 1980 will be much smaller than estimated in the project paper because the United Cooperative Society UCS is only at this time in a position to hire staff and because of the lack of marketing arrangements." (Cameron to Begley, March 25, 1980)

Under the conditions for loan disbursement agreed to by the UCS Board of Directors a farmer may get a production loan only on condition that he have a market plan for his produce. A market plan seems to mean a strategy in which the management of the local cooperative has so much confidence that it will accept the strategy as security for the production loan. In practice marketing plans have almost uniformly been contracts with potato exporters in the case of Beheira, Gharbia and Menufia and selling in the auction market in Alexandria. The latter cooperative has had vending experience there since the auction market's inception. In the words of the CLUSA marketing consultant, "the disbursement of funds to the marketing cooperatives for loans to farmers is not to be made, however, until appropriate marketing contracts or arrangements are in place and certain personnel are in place. Such contracts now exist for potatoes and to some extent for oranges; and marketing arrangements exist for egetables and fruits in Alexandria." (Cameron to Begley, March 25, 1980).

As described in the project paper, 2/3 of the monies in the project would be for infrastructure. By all acounts the magnitude of the infrastructure credits was far too large for UCS's absorbtive capacity. Moreover, the potential IBRD/Misr Bank loan window closed in late, 1979. For both these reasons the quarterly report for the period ending April 30, 1980 recommends leaving questions of infrastructural development in abeyance until the first half of 1982 at which point a search would begin for financing alternatives.

The collapse of the infrastructural development program is somewhat responsible for difficulties in generating marketing plans. The

November 1981 monthly report, for example, says, "The lack of financing for market infrastructure contributions to delay of any new initiatives in marketing." The inexperience of the cooperatives in this area was equally responsible, of course. For these reasons plus the weak staffing at UCS, it became clear in the 3rd quarter of 1980 that no acceptable market plans would be forthcoming and, consequently, under the UCS's own credit policy regulations, no credits could be disbursed. At this time, according to the quarterly report for the period ending October 31, 1980, "the USAID project committee agreed to interim flexibility in the credit policy during the start-up period. The original approved policy was based on a fully implemented loan program". AID/W in effect authorized the launching of a pilot program in order to get the funds moving. Under the pilot program each member cooperative was allowed to disburse, almost as it saw fit, 10% of the credits originally allocated it from the revolving loan fund. In fact the three big potato producing cooperatives disbursed their funds, almost in their entirety, to potato growers regardless of the fact that, under the lending policy statement potatoes were to take no more than 30% of the credits. Alexandria disbursed its funds primarily a potato production project in Menufia, Beheira and Gharbia and primarily a vegetable production project in Alexandria. The agreement was that monies disbursed outside the pilot project allocation would have to adhere to established credit policies.

While the pilot project did get the money moving and did provide a shake-down for the loan and collection systems of the cooperatives and of UCS it did not succeed in generating new marketing systems, the basic objective of the project. It simply used what was already in place.

The lack of UCS staff has had important implications for the orientation of CLUSA technical assistance. It led CLUSA to concentrate more and more effort on contacts with and development of the member cooperatives at the expense of UCS despite the importance in the project paper and the OPG of building UCS as a viable institution. As early as the October, 1980 monthly report note is taken that the main shift in project implementation from expectations at the design stage has been greater concentration on the membership coops and less on UCS. The March, 1981 monthly report confirms this movement, "The program implementation is now shifting from UCS to member cooperatives with UCS retaining a marketing coordinating role and a monitoring and disbursing role for the revolving fund." Finally, the quarterly report for the period ending March 31, 1981 states, "CLUSA understands the present UCS staffing arrangements shift implementation to member cooperatives. UCS will have coordination and contract negotiation responsibility in marketing and will manage the revolving fund in accordance with the credit policy. When the role UCS plays can be expanded to include a more complete marketing role it is assumed that additional staffing will be needed...It would facilitate progress if a general manager had been appointed but with program implementation responsibility shifted to the member cooperatives there is less urgency."

CLUSA made other adjustments to the fact that UCS was not as strong an institution as anticipated. The original concept had been to make the

CLUSA market advisor play the role of team leader and to restrict the activities of the credit and financial advisor to a short-team consultancy. By early 1980 it became apparent that the services of the credit and financial advisor would be needed for the life of the project. An amendment to the OPG was formally requested by CLUSA on May 8, 1980 to add a credit and financial advisor. Although CLUSA is not technically responsible for monitoring the loan fund it has felt it necessary to toy with the responsibility to assure project operations. Moreover, the position of the marketing advisor was demoted the the appointee in the management slot became chief of party. CLUSA focus, therefore, shifted from marketing development to promotion of the credit program and strengthening UCS institutional integrity.

5. Summary:

Project implementation got off to a slow start. Partly this was due to the slowness of the required process of hammering out a loan policy. Partly this was due to the unanticipated necessity of negotiating a regrant agreement between the MOA and UCS.

The most serious problems in implementation were due to invalid assumptions factored into project design. In the words of the first annual report, "It is abundantly clear that the initial evaluation of marketing, loan and staffing patterns had serious errors." UCS, in fact, was a fedgling organization with no effective structure, staff or programs. Such marketing programs as existed in the member cooperatives were very limited in scope if not volume. Moreover, the promise of infrastructural development to support new marketing programs had evaporated by the time the CLUSA staff arrived. Experience in administering credit programs was likewise very limited. For all these reasons the project evolved from its original conception as a vegetable and fruit marketing project to a combination institution building, and potato production, credit and marketing project. The reason it happened this way was that the alternatives were: 1) to insist on fairly strict abherence to project design and, for all practical purposes, delay implementation idenfinitely; 2) to send the project back to be redesigned from the ground up and delay implementation for six months to a year; or 3) to adapt the design to the emerging realities fo the project thereby permitting project monies to flow albeit retaining some control. All parties concerned with project implementation opted for the latter alternative.

The evaluation team questions the wisdom of this choice. In retrospect it seems a better choice would have been to face the design difficiencies while accepting the aptness of project objectives and send the project back for redesign. If the need to take drastic action had been recognized at an early date and if the decision to redesign had been made right then the delays to implementaion caused by redesign need have been little if at all longer than the 10 month delay in implementation that the project experienced anyway. A review of the project history and its present implementation status leads to the question of the effectiveness of the DPG - unsolicited proposal - OPG mechanism to design and implement development projects for AID. The design for this project was uninformed. Although implemented by the same PVO that designed it, this project has gained no apparent advantage from having the design organization implement. Finally, implementation has gone down paths very different from those agreed upon under the agreements. At the same time, it has, to date, made little progress in most areas the agreements focus on the project activities.

II. CREDIT PICTURE

A. Institutional Credit:

The credit picture in Egyupt has undergone a series of important changes since the submission of the CLUSA "Report on a Review of Agricultural Cooperatives and Agricultural Credit for Egypt" dated December 1977. Law No. 117 of 1976 promulgating the Principal Bank for Development and Agriculture Credit (PBDAC) had been in effect less than nine months. The objectives of the PBDAC were: (1) to extend agricultural credit to individual farmers and to cooperatives; (2) to supply all agricultural production inputs to farmers; (3) to perform banking operations for both individuals and cooperatives and (4) to promote savings mobilization.

By 1979, the year project 263-0095 was approved by USAID/Cairo, the PBDAC was already serving the farmers within the prouect area. Individual farmers belonging to the four project cooperatives have tied in with the PBDAC either for cash or in-kind agricultural loans.

The loans taken out by the farmers at an interest rate of 6% permitted them to receive a limited amount of crop production inputs such as fertilizer seeds, insecticides and pesticides at subsidized purchase prices. However, for farmers not producing field crops (rice, grain or cotton) the kinds of production inputs offered by PBDAC were limited and insufficient. For potato growers a small amount of fertilizer was available. The farmer who grew mainly fruits or vegetables could only finance his crop production by negotiating a short term cash loan from PBDAC at 14 percent annual interest. He was also required to put up sufficient collatoral or a promissory note to cover the loan.

B. Informal Credit:

Often the farmer was not willing to meet the loan terms of the PBDAC and therefore was required to resort to the informal credit system. This entailed approaching a local merchant or middleman who would advance the farmer a line of credit in exchange for marketing the produce at a price favorable to the merchant. Such a relationship often tied up the farmer in a web of obligations. This could result in the price of a loan estimated at somewhere between twenty-five and forty percent.

C. Cooperative Credit

A third credit alternative was initiated by the leaders of the Alexandria cooperative. It was in the form of a bulk loan. We found that in 1979 the three coop managers of Alexandria took out a loan from the PBDAC against the collatoral of their personal assets. This bulk loan was then re-extended to cooperative members who would then agree to market their produce through the cooperative. The cooperative. The cooperative would then collect fees and commissions for marketing the produce. For the use of their assets as collatoral, the managers received a total of 35% of the net profits.

This system worked fairly effectively. Essentially the cooperative managers took over the role of the middleman, working with bank capital rather than with their own and offering the farmer better terms than he could get in the informal credit market. By wholesaling PBDAC credit, the cooperative helped farmers get bank loans without the requirements of putting up collatoral. The managers, the cooperative and the farmer benefited in this relationship.

The other three cooperatives also extended loans to farmers. However, this was on a much smaller scale than in Alexandria. They used solely the working capital of the cooperatives. (See Table 1).

D. Project 263-0095 Credit:

As of 1980, Project 263-0095 made LE 2,345,000 available for credit to small and medium sized farmers. The distribution of this fund has been set by Implementation Letter No. 8 dated 12/21/81. No farmer is to receive more than LE 6000. (See Table 2). The project grant agreement requires that there by a 10% return on monies lent by UCS to the cooperatives. The 10% return will be met by a 7% "over-ride" paid by UCS of no more than 3%. This contribution is taken from the net profits gained after marketing and export.

Although CL:USA and UCS protest that the over-ride and contribution are not, in fact, interest, farmers have become atuned to thinking of interest from dealing the the PBDAC.

CLUSA insists that the over-ride is an investment fund to increase the size of the revolving loan fund. The over-ride can, however, act as a prime rate charged by UCS to member cooperatives for using project loan funds to extend to farmers. In order to be eligible for project loans the individual cooperative must demonstrate that it will be able to market whatever farmer product that is being underwritten by the loan. This is accomplished by means of the development of a marketing plan. A marketing plan is a demonstration that a firm market outlet has been established. This is covered in depth in anotherr section.

E. Credit Sources Compared:

In 1979, before project loans were available, 65.47% of the Alexandria membership received loans from the cooperative. Beheira, Gharbia and Menufia membership received 0.11%, 0.38% and 0.08% respectively. In the case of the latter three cooperatives, over 99% of the farmers were left to negotiate their own loans either with the PBDAC or with private sources. In the case of fruit and vegetable farmers in Alexandria and potato farmers in the other three governorates the farmer found this mode of production underwriting worthwhile. In short, the farmer was not uncomfortable with the arrangement.

In fact the farmer's profit margin was such that many farmers in Alexandria felt they woulc invest in more risk taking crops such as tomatoes. In some years tomatoes would bring a windfall. In other years it did not pay the farmer to remove them from the field. Nevertheless, the farmer felt that he could take the risk without being wiped out.

As we see, when the credit fund of project 263-0095 became available it did not find itself to be the only game in town. Farmers and local cooperatives did not rush to make themselves eligible for loans. It has to be demonstrated to them that there would be a quantum improvement in their net profits that would make it worthwhile for them to switch from a system with which they were familiar and which did not prove to be ineffective.

Since credit was not the issue, then it became incumbent upon UCS and its four member cooperatives to get top price on sales, to offer better market prices than the middleman. This requires UCS to develop better market outlets than the wholesaler has managed to establish over the years both domestically and abroad.

As we shall see later is this evaluation, UCS has been slow in developing these outlets. Therefore marketing plans have not been forthcoming outside of fruits and vegetables in Alexandria and potatoes elsewhere. Even if a marketing plan were not a requirement of this project, farmers would be reluctant to tie themselves up in a loan which does not offer a clear scheme for marketing and asuring a return on the investment.

The Alexandria marketing plan consists of a stall owned by the cooperative in the wholesale market. This stall pre-dates the project by approximately twenty years. The potato growers' marketing plan is a continuation of the traditional King Edward export market to England. Based on the fact that these two markets have been there for many years and are dependable, loan money from this project has been released for these two activities.

In Alexandria in 1979, 65% of the membership borrowed from the cooperative bulk loan fund. In 1980-81, the first year that funds were available under this project, only 32% of the members availed themselves of loans from the revolving fund. In the rest of the project only about 2.5% of the membership borrowed from the revolving loan fund. The maximum amount ever loaned out at one time in the project was LE 940,000 leaving LE 1,405,000 loan monies unused.

Clearly the difference between the UCS loan terms and the 14% rate of interest offered by the PBDAC or the 25% to 40% terms offered by the wholesaler/middleman was not immediately apparent to the coop members. Therefore we can assume that, keeping the market picture constant, the impact the credit position of this project has had upon cooperative member farmers has been negligible.

F. Recommended Changes:

Credit availability does not appear to be a constraint farmer production and marketing. Certainly the small fund of LE 2,345,000 would in no way be sufficient to make a difference in, in fact, there was a credit need. Assuming the average loan were a modest LE 500 per farmer, with a combined coop membership estimated to be 61,075 farmers, this loan fund could only serve 8% of the community in any one season. Assuming that, in the future, new markets are generated and large numbers of member farmers find it attractive to forsake the middleman for UCS, new sources of credit will have to be uncovered. The 10% combination of over-ride and fee will not be able to do more than slow the tide of inflation. The fund will not grow. The only alternative resource currently presenting itself is the PBDAC. Bulk loans of a combination of in-kind and cash need to be negotiated and tested. This route must be explored in detail.

The PBDAC has been evolving since its inception. Initially, cash loans were not given out. By the time the managers of the Alexandria cooperative negotiated a bulk loan in 1979, cash loans at 14% were possible. This required the borroweres to deposit a promissory note with the bank which tied up their assest for the duration of the loan. The "Beginning of Project Report", dated 3/22/81, of the Small Farmer Productin Project No. 263-0079 shows the loan repayment rate of individual borrowers from the PBDAC to have increased dramatically to a high of 97% for 1980 (See Table 3). Given the default rate of less than 3% on total annual volume of over LE 250,000,000 worth of loans, it would appear that PBDAC would be ready to liberalize its demands for guarantees. This would especially be the case for cooperatives as borrowers who can bear a shared responsibility for loan repayments. One of several possible wyas of generating bulk loans from PBDAC is to deposit repaid project loans into a blocked interest bearing account in the PBDAC. This blocked account would serve as collatoral to cover any possibilities of default. The ratio of blocked funds to credit made available to UCS by PBDAC would have to be negotiated. However, if the current default rate is less than 3%, then a guarantee deposit of LE 5 per LE 100 lent would be more than sufficient to cover the eventuality of bad debts. When and if it is needed such a system could increase the amount of credit available to cooperatives by as much as a factor of twenty.

G. Beneficiaries

The small scale farmer has by far become the major beneficiary of the loan program. Over 81% of the loans have gone to owners of less than 5 feddans. In the Delta, which can yield two cash crops a year, an owner of 5 feddans is not a marginal farmer. He often farms more than he owns through some intricate rental arrangements with relatives or neighbors. In the Delta the average net yield per feddan per season is LE 500.

Loans are short term, covering one crop season. In actual practices the loan is regarded by the farmer as an advance on the final net profit of his harvest. Over-ride charges do not concern him. He simply wants to be sure that initially he receives enough of an advance to cover his seed and fertilizer and, at the end, he gets maximum profit.

In the case of UCS, the farmer receives the loan/advance at the beginning of the season. In Alexandria, at harvest time he must provide the cooperative with enough of his crop that would yield at the market more than double the value of the loan at current farmgate prices. The cooperative then takes out those fees and commissions to cover operating costs plus return of principle and over-ride to the loan fund. The farmer gets the rest.

In the case of the potato growers, all the cooperative takes out is LE 2.5 per ton to cover coop costs and UCS takes out 50 piastres/ton to cover its expenses. The exporters are also charged a fee for working with UCS.

At the end of the season, the farmer sees the final price he gets on his crop and determines whether it was better to deal with UCS or with a middleman.

In the case of potato growers, marketing through the cooperatives has yielded a final net price increase of approximately 20%. From the farmers' point of view the cooperative takes less of a cut than the middleman.

After a few crop seasons the farmer should be able to make the comparison and determine whom he would prefer to underwrite his crop production.

The farmer is getting a better price by marketing through the cooperative. This fact alone does not reflect upon the intervention of project 263-0095 since most of these farmers were marketing through their cooperatives beforehand.

H. Women:

Women do have the right to own and work their land. For this reason they have the right to apply for loans and avail themselves of the services of UCS. In actual practice none do. In most cases either the husband or the brother take over the responsibility for the land, take out loans, do the marketing or attend cooperative meetings. Therefore there is no indication that women benefit directly from the credit extended in this project.

I. Credit Administration:

To date there is little data available within the project. The bookkeeping and records are still being standardized by the project credit advisor. As it exists now, each cooperative is using its own record keeping and loan application system. This is also being standardized presently by Mr. Lashey, the CLUSA credit advisor.

The farmer must travel to the markaz (provincial capital) to get his loan. However, this can be accomplished in one or two trips at little cost in time or money to the farmer. There is no outreach to farmers. The farmers learn of this practice through word of mouth.

The established loan criteria and lending policies have evolved through the development of the project. The loans are reaching small farmers and the loan fund is currently being replenished at 10%.

The loan fund has only been used at two-fifth's capacity. This is mainly due to delays in distributing loans on time for planting seasons and also because of no new marketing plans. CLUSA is trying to help cooperatives prepare loan packages on time so that funds will reach farmers on a timely basis. It is too early yet to evaluate the loan application precedures because of the fact that they are only now being developed.

A number of issues such as record keeping, use of non-expended funds, comingling of funds from other sources are being covered in the Auditor's report to be submitted presently. One issue raised by the Auditors was the legality of interest accruing on project funds in the UCS account of the PBDAC. Since the PBDAC is an integral participant of this activity then the interest they have paid out to date should be regarded as a host-country contribution to the project.

J. Savings Plan:

The project paper refers to a savings plan. No savings plan has been initiated and there is no expectation that one will ever take place.

K. Equipment Loans:

Most farmers and coop leaders with whom we met repeatedly underscored their need to purchase equipment such as rototillers and motor driven spray pumps. Because of the problems of recruiting field labor perhaps some mechanization is necessary. However, the purchase of such equipment would require long term loans of up to three years. The loan fund is not large enough to handle long term credit. To service loans of the size needed to purchase a LE 1,200 piece of equipment would need a much larger loan fund than we currently have. Once again, the farmer should be assisted in making his case at the PBDAC.

Table 1

Loan Extended 1979-81

	Alexandria	Beheira	Gharbia	Menufia
1. Membership Claimed	1,575	31,000	13,500	15,000
2. Number of Loans 1979 (before project)	1,031	31	51	12
Number of Loans 1981 (using project funds)	501	860	473	305
3. Value of Loans 1979 (before project)	910,171	29,810	23,249	17,436
4. Value of Loans from project dfunds 1981	237,500	379,000	401,160	340,000
5. Percent Membership receiving project funded loans	32%	2.8%	3.5%	2%
6. Percent of those owning less than 5 feddans receiving loans from project	62%	88%	92%	94%

Table 2

LOAN TERMS
Revised Loan Allocation by Crop and Governorate

	Fruits	Vegetables & Potatoes
Alexandria	40%	60%
Beheira	30%	70%
Gharbia	20%	80%
Menufia	20%	80%

Loan Level Per Feddan

Vegetables (including potatoes)	LE 300
Fruits	LE 400
Maximum for an individual farmer	LE 6000

Table 3

Loan Repayment Record for
Borrowers from the PBDAC

1976	79%
1977	81%
1978	87%
1979	91%
1980	97%

III. PRODUCTION AND MARKETING PROGRAM

A. UCS Production Program:

The UCS production program has concentrated on potato production. The main field of expertise of the CLUSA production advisor is potato production. The program includes a certain amount of field trials by CLUSA done on land on loan to UCS from large land holders who are participants in UCS programs. These are varietal trials using seed potatoes sent to CLUSA by the Maine Potato Growers Cooperative.

Also on land lent to UCS by large land owners, UCS is pursuing a supervised seed potato program. The objective is to produce an improved quality of mature King Edward potato to be used for seed in the early export season. This program does not produce seed of certified quality but it does have enough surveillance that the seed is better than that generally produced in Egypt. The advantage to the farmer, other than the quality of the seed potato, lies in the fact that the farmer saves LE 50 per ton on these seed potatoes compared with the open market price. The farmer uses about 3/4 ton of seed potatoes per feddan.

CLUSA technical assistance has produced several extension reports. Extension outreach, at this point, however, is only beginning. Farmers must depend on their local cooperatives rather than UCS or CLUSA for whatever extension help they get.

B. Structure of UCS Marketing Program:

1. UCS Staff and Board of Directors:

The most important cells of UCS for project purposes are the production cell, the marketing cell and the credit and finance cell. The production cell is headed by a retired MOA official. He has a recently hired younger assistant. The assistant appear to be responsible for most of the field activities of the production cell. The marketing cell is headed by an acting manager and an assistant. Neither yet knows enough about international marketing networks to execute his responsibilities at the level of project potential. Finally, the chief accountant in the credit and finance cell is, by all accounts, first rate. UCS does not yet have, as mentioned in Section I.C.4 of this report, a general manager.

UCS has a 12 member board of directors. Each of the four constituent cooperatives has named three of its own directors to the UCS board. The Chairman of the Board, since the inception of UCS, is the Chairman of the Board of the Gharbia cooperative. For want of a general manager he fills the general manager role as much as possible. He lives in Cairo, however, and is not able to follow day to day UCS operations as well as if he were in the Alexandria Office. Moreover, he has other activities that preclude full time attention of UCS affairs.

Staffing up, as mentioned above, has been a perennial UCS problem that has considerably disturbed the implementation process. The UCS argument is that they have no funds to pay attractive salaries at the professional level. They can have MOA staff seconded to them at no cost but these people will not be committed to UCS unless UCS can find the financial means to attract them. UCS would like to organize a policy analysis cell of well-paid professionals as an advisory body to the Board of Directors. UCS feels this cell could be paid out of a separate project fund financed by AID or some other donor and, thereby, meet all UCS staffing requirements while finessing GOE salary regulations. At the same time such a structure would for better or worse, keep intact the present dominence of the Board of Directors and its Chairman in UCS. The evaluation team neither endorses nor discourages this initiative. It is simply reporting the UCS point of view.

While CLUSA, in its periodic reports, has consistently indicated UCS staffing problems as one of the major handicaps to effective project implementation, the evaluation team is not convinced. The CLUSA argument has been, in effect, that until UCS has a well articulated organizational structure staffed by competent professionals with well-defined duties and responsibilities it would be a waste of resources for CLUSA to embark on the promotion of marketing programs. In a conversation with the evaluation team the CLUSA Chief of Party clearly let it be known that he views the CLUSA mandate, in contradistinction to the mandate spelled out in objectives of the CLUSA grant, as first and foremost, the creation of a viable cooperative institution, Moreover, ClUSA concentration on UCS staffing up as almost a condition precedent to launching new marketing programs seems to be in part, a strategy to avoid direct dealings with the current UCS board chairman. The evaluation team wonders if the conflicts between him and the CLUSA team are not due as much to the CLUSA team's inexperience in interpreting and using the Egyptian cultural ideom as it is to the personality of the individual in question.

UCS replies to the CLUSA argument saying that until UCS has some marketing pograms successful enough to bring money into the UCS kitty, it cannot commit itself to long-term contracts with staff of necessary caliber.

The evaluation team agress with CLUSA that UCS needs a responsible general manager and so recommends. On the other hand, organizational structures are elaborated and grow, in theory, in response to the need to execute specific functions. Successful organizations are not first put is place and then appropriate functions to perform. Granted, in the organic development of organizations there will be trial and error and wasted resources. But that will be the cost of the learning experience necessary to effective operations as a nature institution. Newly created cooperatives in the United States can adopt the structure of existing successful cooperatives with the assurance that they will be filling roughly the same functions in an almost identical social and cultural context. In Egypt the UCS is unique. Therefore, its organizatural structure, staffing patern and assignment of duties and responsibilities must be allowed to emerge as an adaptation to the functions it actually performs and the way in which those functions must be performed in the Egyptian context. For this reason the evaluation team suspects that CLUSA insistence on UCS staffing up before embarking on marketing programs is in large part due to in attention to organization theory leading to the missequencing of the cart and the horse.

2. UCS Facilities

At the present time UCS owns or has access to a number of structural facilities.

UCS owns its Alexandria headquarters as well as a small suite of offices in Cairo. Each of the four member cooperatives owns its own offices. Alexandria owns a large stall in the the Alexandria wholesale produce market. Gharbiya owns a small stall in the Cairo produce market which it uses primarily as an outlet for potatoes it cannot export. Gharbiya also owns a 200 ton capacity cold storage facility in Kafr-el-Ziyat. Gharbiya built this facility with its own money.

The Gharbiya, Beheira and Minufia cooperatives all own substantial undeveloped plots of land they are holding in reserve for construction of packing and storage facilities. In addition wholesale produce markets will be opening soon in the main towm in each of the three governorates. The cooperatives in each case have petitioned the responsible authority to be allocated stalls in the new facilities. In addition Beheira has petitioned for space in the Alexandria market. There is reason to believe this latter request will not be satisfied.

Neith UCS nor any of the cooperatives own packing facilities. UCS has access to potato sorting and packing facilities, on the one hand, of private potato exporters as a potato wholesaler and, on the oth;er, of the Potato Growers cooperatives as a partner in a potato export consortium.

3. Market Chains

a. Potatos - Gharbiya, Beheira and Menufia are the big producers of potatoes for export. Here the farmer is responsible for transporting his sacks of poitatoes to a UCS collection point. Collection points vary in number and location during the potato season according to local production curves. In principal a farmer should have to transport his potatoes no more than 5 to 10 kilometers to a collection center.

The collection centers tend to be located on flat open areas easily accessible to small truck or tractors. The potatoes are off-loaded in an enclosure made of a wooden scaffolding with a tarpaulin roof. A farmer stacks his potatoes in a discrete pile and awaits the collection center committee.

The collection center committee has four members. One is a UCS respresentative, one is a Potato Growers Cooperative represntative, one is a representative of the potato exporter to whom the deliveries at this center will be going and one is a representative of the horticultural service of the MOA. The committee has the right to sample the farmer's wares. They usually empty a sack or two to verify that his potatoes meet standards for quality and packing. The rejection rate at this point is said to be 2%. The potatoes are then weighed and the farmer is given a voucher for what he has delivered. He will be able to exchange the voucher for his money within 3 or 4 days at the most.

The exporter represented at the collection center takes the potatoes to his packing facility. There they go through some cleaning. They are then sorted for size and quality. The export grade is packed for shipment. The rejects are packed for the domestic market. The exporter then takes the responsibility of freighting the export potatoes to the port. Keep in mind that although all export potatoes are supposed to go through the cooperative this is not possible to enforce. Not like field crops.

More King Edward Potatoes are produced than are exported. If a farmer sells to a middleman allegedly for domestic consumption there is nothing preventing the wholesaler from turning around and selling them to an exporter. This has been a practice that was quite common. In fact, in one discussion we had in Beheira, the cooperative was concerned that the exporter (ARATRA) acting also as wholesaler would be able to offer prices competative with the cooperative.

b. Citrus - The Beheira cooperative produces a certain amount of citrus fruit for the export market. The chain is very similar to that for potatoes. In this case marketing is doe throu;gh the Egyptian parastatal El Wadi Company.

The El Wadi Company has 19 collection centers throughout its area of operations. Under contract with the Beheira cooperative the Company delivers packing materials to a citrus grower. He packs the fruit. The El Wadi Company sends out vehicles to collect the fruit and, after weighing, gives the citrus grower a voucher. The cooperative takes charge of exchanging the voucher for cash. The cooperative is then reimbursed by the El Wadi Company. The El Wadi Company then takes responsibility for sorting and packing the fruit and getting it through the port. The rejected fruit is sold on the domestic market.

c. Vegetables - This chain applies only in Alexandria. Here farmers who have credits from the cooperative are required to market through the cooperative vegetables which are worth at least twice the value of their loan. The farmer is responsible for the transport. The cooperative markets the vegetables in its stall, deducts its commission and the amount of the outstanding production loan. It pays the difference to the farmer within 3 days. The vegetables are bought usually by wholesalers or retailers in the Alexandria markets. Farmers who either have not taken loans from the cooperative or have fulfilled their obligations to the cooperative may market through private middlemen if they wish. For some time now the Alexandria cooperative has had under study a plan to place retail produce stalls at various locations in Alexandria. This initiative calls for 20 stalls and two trucks. The Alexandria cooperative is now looking for the estimated LE 170,000 to underwrite the program.

C. Impact of the Production and Marketing Component:

This section will focus on several areas indicated in the PP as susceptible to positive impact by the project.

1. Institution Building - The major area of positive impact of the project has, in fact, been in institution building. This is one of the project purposes and the one best served by the project. UCS as an effective functioning organization is not yet broken in but it is making progress in its ability to be an effective bargaining agent for its members, in its ability to manage its credit programs and its ability to initiate new marketing programs.
2. New Marketing Program - Most of UCS activities in the market have built on the on-going programs of its member cooperatives. The most impressive departure for UCS was to profit from its control of potato marketing in the four governorates to form a consortium with the Potato Growers Cooperative and the Union of Potato Exporters to supply potatoes under contract for export to the United Kingdom. UCS became an exporter, itself.

   In 1981, UCS supplied about 92,000 tons of potatoes to various exporters. It exported, as a member of the consortium, a further 9,400 tons. Its profits from the 92,000 tons were about LE 44,000. Its profits from the 9,400 tons were about LE 22,000

   The positive impact of this initiative on UCS members is that the potatoes pass through fewer hands with UCS as a packer and exporter than if UCS were simply a supplier. UCS claims to have forced up the price paid to farmers by offering LE

105-110 per ton when other exporters were offering LE 90. Moreover, farmers exporting through UCS can reap the benefits of patronage dividends at the end of the season. In 1981 the patronage dividend in Menufia was LE 2.5 per ton. In Gharbia it was LE 3 per ton. It appears that a farmers's net income from potato production is therefore on the rise. Quantitive data necessary to establish the degree of this positive impact are not available however.

UCS has otherwise had some false starts in green bean and in artichoke marketing initiatives. At present Menufia is initiating a watermelon production and marketing program. If successful this will be the first completely new operational marketing since the inception of the project.

3. Membership Growth - The PP put the membership of UCS at 8,7000. The evaluation team has been unable to determine the source of the figure. The design team apparently did not understand the structure and history of the cooperative system in Egypt as presented in Section I.A. of the present report. For that reason it did not understand that UCS membership in fact is the aggregated membership of the four member marketing cooperatives. The quarterly report for the period ending April 1, 1980 implicitly rectified this misunderstanding. The membership of UCS as of January, 1980, only seven months later than the figure in the PP, was put at 61,075. This number

includes a membership of 1575 in Alexandria, 31,00 in Beheira, 15,000 in Menufia and 13,500 in Gharbia. Since January, 1980 there have been no new figures for UCS memebership.

The issue of UCS membership growth is a non-issue, however, The total membership of UCS is only a small fraction of the potential membership in each governorate. It represents that fraction of the total farmers who are participating in cooperative poduction and marketing programs. In Beheira, Menufia amd Gharbia, it represnets, for all practical proposes, those farmers that are growing potatoes for export. There are, however, many other farmers in those governorates who are growing a wide range of fruit and vegetables, principally for the domestic market. A cap has been put on potato production for export by the export quota. Membership will grow, therefore, only if and when the cooperatives can mount marketing programs in other crops. In Alexandria the constraint on membership growth appears to be somewhat different. There membership is limited by the amount of money available to lend out and by the number of people who want to wrestle with the loan qualification procedure. Most people in the Alexandria governorate still find it more convenient to get credit and market produce through the private merchants. In effect the project has had no significant impact on UCS membership. On the other hand, as indicated in Table I above, many farmers especially in Beheira, Gharbia and Menufia are now receiving production credits from UCS who did not have access to credit through their cooperatives in 1979. The project has been successful recruiting participants although the "membership" issue had not been properly conceptualized.

4. Increases in Production and Productivity - There is no evidence that absolute production of any crop has increased due to the project. There is no evidence that production per feddan has been changed for any crop due to the project. A minor exception to this latter statement has been in the fields where seed potatoes for the early export season have been grown under supervision. There productivity is reported higher than unsupervised farmer averages. The exact difference is not known.
5. Costs of Production - The project has made some contribution to lowering a farmer's cost of production. The estimated cost of potato production per feddan is about LE 395. Included in that figure is the cost of 3/4 ton of seed potatoes. UCS is now producing its own seed potatoes for use in the early export season, storing them in the cold store in Gharbiya and supplying them to potato farmers at LE 50 per ton less than the open market price. In effect this means a reduction in potato production cost per feddan of 9% to about LE 358.
6. Changes in Gross Volume in Alexandria - The general manager of the Alexandria cooperative maintains that the volume of business done by the cooperative tripled from LE 1 million in

1976 to LE 3 million in 1980. In 1981, the first year of project activity, the cooperative experienced further growth in gross value of produce marketed but the final figures are not yet available. In any case, it is not possible to evaluate to what degree this growth is a function of the cooperative marketing project.

7. Base Line Data - According to the CLUSA OPG the project was supposed to conduct a survey to collect farm level data. The survey was conducted early in project implementation. Some of the data found its way into the April, 1980 quarterly report. The survey was, however, never tabulated and analyzed in depth. The reason was that due to sampling techniques and weaknesses in field methodology the CLUSA team decided the data were unreliable. The survey was discarded. It is, therefore , not possible to evaluate the impact of the project on the target group. The base line data do not exist. Moreover, no reliable profile exists of borrowers from the revolving credit fund.

8. Cropping Paterns - There is no evidence of farmers changing these cropping patterns in response to incentives offered by this project. This is in large measure the case since production in 3 governorates is focused on potatoes for export. There is, therefore, a ceiling to what can be produced.

9. Effect on Consumer Market - Since production is so small in relation to demand and since it is oriented in 3 governorates toward the export market anyway the project has had and will continue to have no discernable effect on the Egyptian consumer market in terms of price or standards of quality.
10. Grades, Standards, Farm to Market Loss and Rates of Spoilage - The project has promoted grades and standards very well for the export market. In the domestic market, in the Alexandria auction market, for example, only experimental efforts have been made. There is, furthermore, no evidence that rates of spoilage of produce have changed since the PP.
11. Transportation and Infrastructure - No funds have been available to develop infrastructure for storage, handling, sorting, processing or packing produce. Likewise, no funds have been available to improve the system of transporting produce from farm to market.
12. Impact on Women - The impact of the project on women has been negligible. Since very few women were cooperative members in their own right, women receive very few production loans. Women provide field labor usually at harvest only. They reap only indirect benefits as members of a beneficiary farm family unit. On the other hand, unmarried women seem to provide about 4/5 of the labor force at the potato packing plants. Insofar as the project generates off-farm employment in produce processing and packing, women seem to be the main beneficiaries.

D. What Purpose Does UCS Serve?

Given the fact that UCS has had problems staffing up and given the fact that CLUSA has acknowledged this by refocusing its efforts on the member cooperative (Section I./C.4) it is appropriate to ask what role UCS should be playing in the future.

The greatest strength of UCS lies in its role as a bargining agent for a large number of farmers. It has already been able to have some impact on the price paid the farmer for potatoes for export. UCS gives the small farmer a strong voice in issues of local and even national importance. UCS is also able to attract the technical assistance and expertise that the small farmer needs to move toward his goals. UCS should be able to initiate and coordinate new programs. Finally, UCS is able to attract financial resources to support the farmer's efforts. All of this suggests that UCS is more a confederation of autonomous cooperatives rather than a monolithic union of member groups. UCS has not mobilized efforts in production and marketing, for example, that were expected of it. It has not mobilized requisite strength in personnel. Lines of authority and responsibility within UCS are unclear. As independent units the member cooperatives are individually stronger than the central UCS organization in each of these regards. The present system has consequently evolved as an adaptive response to UCS managerial and structural inadequacies.

On the other hand, despite downgrading, UCS has played an important role in strengthening the hand of the small farmer of the potato export market. It has become a licensed exporter and thereby is keeping a share of profits from produce exporting for redistribution to its members of forms. This is a role appropriate to UCS. UCS should be encouraged to widen its role as the farmer's agent in dealing with the marketing system. The more functions it can perform in the name of the farmer the more the benefits to him and, by extension, the more deserving UCS becomes of outside support. UCS may be able to strengthen its performance to the level foreseen for it in the PP.

E. Future Directions for UCS

1. Infrastructure - The time has come when UCS must have some infrastructural support in order to realize its potential. A specific strategy for financing infrastructure development will be recommended in Section IV of this report.
2. New Marketing and Distribution Techniques - The evaluation team recommends that the project new its efforts to secure marketing contracts and find appropriate means of transporting, storing, processing and packing produce for market. Specific recommendations in the area of marketing and distribution techniques will follow in Section III G of this report.
3. UCS as a Supplier of Inputs - In order to supply UCS with large quantities of marketable produce the farmer must have access to production inputs. At the present time it is not possible for the farmer to find sufficient supplies of fertilizer, pesticides, certified seed, etc. at a reasonable price to produce his crop at maximal efficiency. It is legally possible for UCS to import these inputs duty free into

Egypt and, in the case of some, to receive a government subsidy. These advantages could be passed on to the farmer in the form of price breaks. The evaluation team recommends that the terms governing the use of the revolving fund be amended to allow the UCS to finance the importation of production inputs to be sold to the farmer under the same short-term credit conditions as the present UCS production loans. This recommendation can be implemented only if the GOE will permit replenishment of the hard currency funds necessary for importing the inputs from hard currency earnings from UCs export activities.

4. Membership - The best strategy for promoting growth in the participation in the UCS programs and activities is to pursue new marketing outlets in a broader range of commodities than presently marketed.

5. Project Outreach and Farmer Advisory Groups - The contact between the project and the techncial assistance team and the donor is at the UCS level. This is one more step removed from the farmer than in most rural development projects. This means that the voice of the small farmer has less chance of being heard than in other rural development projects.

   It is important for project success that channels of communication be opened between project management and the

farmer participant. The lack of channels of communication is responsible for the complaint, often cited in monthly and quarterly reports, that farmers do not understand the UCS program. The quarterly report for the period ending January 31, 1981, for example, states, "A third major constraint is the general lack of understanding of the proposed program. One serious deificiency is the lack of specific knowledge concerning the loan needs of small farmers."
Channels of communication are necessary for information to flow in both directions. Some kind of outreach is necessary to bring information about program objectives as well as various types of technical information to the farmer. At the same time farmer groups of some sort could feed information to project management regarding their general concerns about the project as well as various types of data to allow project management to monitor project impact at the target group level.

6. Changing Loan Shares by Crop - The original sharing out of the loan funds is not flexible enough. It was meant to encourage vegetable production while reining in citrus production. It allowed 60% of the loan funds to go to vegetable production, 30% to go to potato production and 10% to fruit production. In order to adapt to the present status of the project while, at the same time, keeping firm control over the monies promoting citrus production, the loan shares by crop should be made more flexible. The evaluation team recommends that a

maximum of 8% of the loans go for citrus production and that the distribution of the remaining 92% of the loan funds be unrestricted with regard to vegetables, potatoes and other fruits.

7. Expansion of UCS to Other Governorates - Within the Under-secretariat for Cooperative Affairs of the MOA discussion is underway on the merits of integrating marketing cooperatives from other governorates in the UCS structure or of forming new apex organizations comparable to UCS to coordinate their operations.

   The evaluation team feels it is several years premature to consider expanding UCS. UCS has as much as it can handle to routinize its operations at their present scale let alone on an expanded scale. At tehe same time the evaluation team feels there should be only one UCS for all of Lower and Central Egypt as is the clear intention of the UCS charter. The advantages of having one single apex cooperative will be diffused if other apex cooperatives are created.

8. Development of New Markets - The project needs, more than anything else, new markets for new crops. The most lucrative markets are the export markets. But entry into export markets means simultaneous entry in the domestic market since an outlet will have to be found for produce not up to export standard. More concrete proposals for finding new markets will be made in Section III.G. of this report.

F. Technical Assistance and Training

CLUSA technical assistance to the project has focused on relatively long-term assignments. The exceptions to that generalization occurred early in the project. An acting team leader was on site from January, 1980 to April, 1980. Likewise, a marketing advisor was on site from July 1980 to January, 1981. The present CLUSA team is led by an appointee in management and operations. His contract runs from April, 1980 through March, 1983. It also contains a credit and financial advisor, whose contract extends from April, 1981 through March, 1983, a marketing advisor whose contract runs from March, 1981 through August, 1982 and a production advisor whose contract runs from April, 1981 through March, 1983.

Other than two consultancies to develop production credit regulations and procedures in 1980, CLUSA has supplied no short term technical assistance. During the month of March, 1982, however, CLUSA is expecting the arrival of a perishable marketing specialist from the Postharvest Institute for Perishables at University of Idaho. Other technical assistance is also needed. In the short term, someone is needed who knows international produce marketing networks. In the medium term, someone is needed with expertise in packing and shipping. Finally, someone is needed in the long term to map out product promotion in the markets so consumers will identify and demand UCS products.

The training budget has likewise experienced draw down much less than expected. To date the training program has included: a two day in-country workshop in September, 1980 to hammer out UCS loan policy; a three week training trip to California in January, 1981; a five day training trip to Cyprus in late June, 1981; a three week training trip to California in late July, early August, 1981; a two day in-country seminar in early November, 1981 to run through accounting procedures with the accountants for the project and a three day seminar in Alexandria in mid-November, 1981 to bring all concerned parties up to date on modifications to credit policy.

The Cyprus trip was the most interesting of the training exercises from a practical point of view. Members of the CLUSA team and the UCS team visited produce processing and packing facilities there which were set in a socio-economic and technical context very similar to the UCS situation.

CLUSA is about to mount an English Language Training Program for UCS staff. Such a program is essential for two reasons. First, UCS staff must be competent in English to profit from contact with the CLUSA team. The three American nationals on the CLUSA Team are not competent Arabic speakers. Only the fourth member of the CLUSA team, an Egyptian national, is able to work in both languages. Secondly, as UCS becomes more and more a party in international produce marketing, staff members will have to rely more and more on English to carry out their transactions.

Why has CLUSA not put greater effort and resources into training programs given the acknowledged weakness of UCS staff? CLUSA maintains that UCS has been unable to staff up and that training funds would be best spent on people identified by UCS as long term direct hire staff members. But CLUSA is closing a vicious circle. UCS has trouble finding staff members, UCS says, because the prospects for advancement are unclear. CLUSA will not make the means of advancement available until UCS has staffed up. The evaluation team recommends CLUSA take steps to break this logjam even without assurance that trainees will serve as direct hire UCS staff for the long term.

G. <u>Recommended Study/Training Program</u>:

In order to address several oversights in project design and deficiencies in implementation the evaluation team recommends CLUSA design a combined study/training program.

1. Objective of the Program - The objective of the study/training exercise is to research out what UCS must do at every step from open field to retail sale to dispose of a given crop in a market in which the crop is in demand. In the process of going through the program UCS staff members will gain the knowledge, through hands-on experience, of supplying, from the bare field through retail sale, produce for international and domestic markets. At the same time, the program can be used to gather the field survey data required in the CLUSA OPG and analyze it.
2. Justification - No marketing studies were done for the PP. The design did not call for studies of marketing chains yet this sort of study is a necessary preparatory step to intervention in the market place. There is, at present, no understanding

at the institutional level of the international produce marketing system yet UCS ambitions are first and foremost to intervene in that arena. At the same time the project lacks the basic data to evaluate the status of project participants, the direction the participants are best placed to move in and the impact of the project upon them. All these data requirements should be approached by taking UCS staff members such as they are and upgrading them by putting them through an intensive on-the-job training program. This training program, functioning as an applied market study, will yield not only a core of experienced staff members, but also a series of reports treating questions pertinent to UCS needs as well as new operational marketing arrangements.

3. Methodology - UCS will send staff members from the production and marketing cells under supervision of appropriate CLUSA consultants to gather information at the level of the small farmer, at the level of the domestic market, at the level of produce processors and at the level of likely overseas markets. In order to carry out the exercise at the level of domestic and overseas market chains CLUSA will have to recruit short term business consultants who are successful entrepreneurs in their own right with networks in the international produce markets. This whole program should be coordinated by the full-time CLUSA market advisor.

4. Financial Arrangements - This program should be financed in part from OPG funds allocated to training and to short term technical assistance. Since, in part, this program calls for activities unforeseen in the PP or OPG the evaluation team recommends that some new monies be found for CLUSA to carry it out.

IV. Relationships with Other Projects:

A. Infrastructure

Currently UCS uses the facilities of its partners in the potato consortium (Exporters' Union and Potato Growers' Cooperative) for sorting, packaging, shipping and storing potatoes. The one exception is the cooperative in Gharbia which owns its own cold storage unit. UCS is interested in expanding its role in serving the farmer in the credit to market cycle. It has begun to play a role as an exporter in the potato business and is expanding into fruits and vegetables. In order to expand its marketing role it will need access to packing, sorting and shipping facilities.

To build and buy the infrastructure required as markets expand will require a sizable amount of capital. UCS is a small organization and is not geared up to deal with the construction, maintenance and overhead costs required for such an expanded effort. An alternative is to contract out these services.

Such an alternative appears to be doubly attractive when the local village councils through loans furnished by Development Decentralization Project 263-0021 could fund the construction of this infrastructure. The local villages or a consortium of 5 or 6 local villages could invest in the construction of a packing shed or a storage plant for example. The village would run it and contract with the cooperative. We recommend UCS contact ORDEV to investigate the possibilities of working out an arrangement.

B. Credit:

If Project 263-0095 is to continue to support a credit sector then it will be necessary to develop the skills of middle and low level credit and farm management experts. In this regard the experience and training modules being developed in the "Small Farmer Production", Project 263-0079 will be of great use to those who will be training credit managers in this project. This will be especially timely if UCS carries out its plans to expand throughout the Delta to include the project area of Project 263-0079.

C. Production:

Two major areas of concern in this project are: (1) prevention of spoilage of fruits and vegetables between farm and market and (2) packaging. New strains of fruits and vegetables need to be tested for resistance to damage and disease. New forms of packaging must be developed which are both economical and practical. In a small way CLUSA consultants have begun some test plots for potatoes. They have also been testing small plastic crates for transporting tomatoes. The results of either are as yet inconclusive.

"The Agriculture Development Systems", Project 263-0041 would be helpful in this regard. They are conducting parallel kinds of research. Much of what they are doing would have direct bearing upon project 263-0095.

D. Equipment

In order to increase production, many farmers have registered the need for small scale machinery and farm implements. There is some of this material on the market in Egypt right now. However, much of it appears unwieldly and not suited for the needs of the local small scale farmers. Farmer members of UCS cooperatives are definitely in need of technical assistance in matching their needs to the appropriate tools and equipment. For this reason, the assistance of the "Small Scale Agriculture Activities", Project 263-0096 would be most beneficial. We recommend that the CLUSA consultant team help UCS staff members establish formal linkages with the above projects.

V. WHY EXTEND PROJECT 263-0095

A. On the negative side:

1. The project has been slow in getting underway.
2. The project Paper, based upon the CLUSA unsolicited proposal, was not sufficiently researched
3. CLUSA was slow in recruiting its staff.
4. UCS still has not put its full complement in place, especially the General Manager.
5. Funds for infrastructure anticipated in the Project Paper have not been forthcoming.
6. Little progress has been made toward any of the seven project objectives mentioned in the CLUSA OPG.

B. On the positive side;

1. CLUSA is providing useful technical assistance to UCS and cooperative staff in financial and credit management. The standardized account system now being put in place is very important if UCS is to expand its credit program.
2. Only during the current harvest (Spring, 1982) has the farmer come to realize the benefits of UCS funcitioning as an exporter (not just a wholesaler). This modest introduction into the potato export market has brought a higher net profit.
3. CLUSA has begun assisting UCS in some market research and planning (as distinct from developing a marketing plan). They are beginning trials of new varieties of potatoes, initiating studies of packaging and have been to Cyprus to study sorting techniques. They and UCS show confidence that these efforts have payoff for the member cooperatives.
4. UCS can serve as a strong bargining agent both in negotiating bulk loans from the PBDAC and in negotiating good prices at the market.
5. Cooperative members have now heard of this project and have come to understand and endorse its goals. From their point of view this project has been underway just about a year, far too little time to show any more success than it has.
6. A new marketing plan has been developed for the first time in Menufia. This indeed may be auspicious.

7. Cooperative members are beginning to understand that their voice counts in the cooperative. This is not a government run cooperative. If the farmer does not like what the cooperative is doing for him he has the option of going back to the middleman. In Gharbia, Menufia and Beheira the number of farmer loans extended by the cooperatives in 1981 (using grant funds) has increased to 1,638 from the 1979 level of 96. These are not loans to farmers who did not have alternative funding sources. These farmers would not forsake their traditional funding sources at the beginning of the crop season if they did not have enough confidence in the coop's ability to market their produce at the other end. At this stage we must continue to support that confidence a while longer.
8. Whatever else may be said the objectives of the project remain valid and important. Moreover, the marketing sector is a sector in which donor intervention can have a positive impact. The project should be allowed to continue along the path toward fulfilling its potential. The potential remains as great as when it first attacted CLUSA attention.

VI. RECOMMENDATIONS

The evaluation team is presenting two tiers of recommendations. The first tier represents priority areas where action should be taken immediately. These recommendations address themselves to critical issues concerning the viability of the cooperative marketing project.

1. Lack of structural facilities that were an integral part the project design is increasingly handicapping the project. Infrastructure necessary to handling growing volumes of produce would be very expensive to develop. Moreover, given the assessment of the UCS's ability to manage its operations on their present scale the question can be raised as to the wisdom of inflicting on it the further burden of constructing and maintaining the facilities. The evaluation team, therefore, recommends that UCS explore the acquisition of these facilities through local village councils. Villages councils could be financing for infrastructure through loans from ORDEV undr the Development Decentralization Project, 263-0021. The infrastructure could generate village revenue under a long-term leasing arrangement with the UCS. UCS would be responsible for maintenance and day-to-day management of the facilities. The evaluation team held exploratory discussions with the assistant project officer of 263-0021. While there are constraints on the use of project funds for the purposes described here the possibilities are promising enough to warrant more serious discussions.
2. In order to address several oversights in project design and deficiencies in implementation CLUSA should design a combined study/training program. The objective of the exercise would be to research out what UCS must do at every step from open field to retail sale to dispose of a given crop in a market in

which the crop is in demand. CLUSA and UCS could use the knowledge and experience gained from this exercise to move more aggressively into intervention in new markets. In the process of going through the program UCS staff members will gain the knowledge, through hands-on experience, of supplying, from bare field through retail sale, produce for domestic and international markets. CLUSA should recruit on a short term basis, business consultants who are successful entrepreneurs in their own right (perhaps retired middle-scale businessmen having export experience) to work with the core UCS staff. They should travel with the UCS Team and work with the team to research and develop foreign and domestic markets. These activities should be coordinated by the full-time CLUSA marketing consultant. Additional funds will be needed to support these market development activities insofar as they were not foreseen at the project design stage. These funds will be used both for travel by the UCS team and for hiring extra short-term consultants.

3 The lack of reliable farm survey data is a serious deficiency. CLUSA should design a data collection instrument, select a representative sample and implement the survey. It may be feasible to conduct the survey in conjunction with the recommended study/training program. Lack of such data makes an assessment of project impact very difficult.

4. Once this project begins to expand its markets there will be a need for more credit. The project loan fund of LE 2,345,000 working at full capacity, could serve only less than 8% of cooperative membership during any one four month crop season. The UCS should, therefore, explore the possibility of paying repaid project loans into a blocked interest bearing account at the PBDAC. The PBDAC could then give out bulk loans to the UCS member cooperatives using the blocked account as collateral to cover possible default. The ratio of blocked funds to credit available to the UCS would have to be negotiated by the PBDAC and the UCS. It would depend on the loan reimbursement rate of UCS members. When and if it is needed such a system could increase the amount of credit available to the UCs member cooperatives by as much as a factor of twenty.
5. The evaluation team recognizes the fact that this project has gotten off to a slow start. This is due to several factors including a need to reorient direction following an uninformed CLUSA design for its unsolicited proposal, a delay in recruiting CLUSA advisors and a delay in UCS staffing up. However, many of the original problems in design have been handled and CLUSA has recruited its team. Many farmers and local cooperatives have come to recognize the potential of working in concert to develop new markets and negotiate bulk loans. To drop support of this activity now would do more harm than good. Because of the initial delay in implementing

this project and because of the need to have sufficient time to put in place all of these recommendations (especially in regard to the study/training program in the marketing sector) the evaluation team recommends that this projct be extended one year beyond the present PACD of March 31, 1983 with increased funding to cover the costs of extending the CLUSA grant for one year. This recommendation is made in conjunction with the following recommmendation.

6. The evaluation team feels strongly that the project as conceived cannot move forward unless an effective full-time general manager be appointed as soon as possible.
   There is no way that the above list of recommendations can be carried out without having the leadership of a full-time manager who is invested with the authority to carry out his or her duties. The first task of the new general manager would be to study the question of engaging further staff. Because of the frustrations CLUSA has encountered in not having adequate full-time UCS counterparts, we recommend that the Mission and CLUSA agree not to extend the PACD until this person is on board.
7. CLUSA should break the logjam on training. It should take the initiative by training such staff members as there be at UCS, the risks of this policy notwithstanding. It is ironic that the CLUSA team identifies UCS management reluctance to take risks as a major reason for the lackluster performance of the

project. In the training area CLUSA should take the risk of committing resources to training people who may either not perform well or may leave the UCS shortly thereafter. It is incumbent upon CLUSA, as the Technical advisor, to set the standard of good faith and performance, however legitimate its reservations are of the abilities of UCS to meet its expectations.

A second tier of recommendations represents areas which, while not vital to the survival of the project, are areas in which project performance could be improved and benefits to the target group raised if action were taken:

1. Fruit and vegatable farmers are in need of special seed and fertilizers not available in sufficient quantities within Egypt. There is a need to import some of these materials. The evaluation team recommends that the grant agreement be modified so that UCS can use its loan money to import those items needed for fruit and vegetable growers. These items would then be sold to farmers on the same short term credit basis as is now established for the cash credit fund. UCS can import farm supplies duty free. This recommendation should be implemented only if the GOE will permit the replenishment of the input purchase funds from hard currency earnings from UCS export activities.

2. As the UCS grant is currently written, only 10% of the crop production supported by grant funds can be used for fruits. The evaluation team understands that the major reason for this restriction is to avoid competition with foreign citrus markets. UCS has requested and the evaluation team recommends that this ratio be changed so that 8% be used for support of citrus and 92% used for fruits and vegetables undifferentiated.
3. Channels of communication are necessary for information to flow in both directions. CLUSA and the UCS should initiate same sort of outreach program to bring information about project objectives as well as various types of technical information to the farmer. At the same time farmer groups of some sort could feed information to project management regarding their general concerns about the project as well as various types of data to allow project management to monitor project impact at the target group level.
4. The improvement of production requires field trails, new kinds of inputs, perhaps small farm mechanization. Therefore, the evaluation team recommends that the CLUSA consultant team help the UCS staff members establish formal linkages with their counterparts in both "The Agriculture Development Systems," Project 263-0041 and "Small Scale Agricultural Activities," Project 263-0096.

Technical assistance from both of these projects would be very useful. At the same time, CLUSA might help the UCS establish linkages with the ST/RAD (MD) "Small Farmer Market Access", Project 936-5313. This project has been designed to provide technical assistance in the marketing sector to projects such as the Egypt Cooperative Marketing Project.

List of People Consulted

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- Samir El Sabbagh	AGR/A
- Richard Fraenkel	DPPE/PAAD
- Mr. Aslani	Menufia Director
- Dr. Zaki	UCS-MOA Coordinator
- Hussein Khalil	Chairman of Board - UCS and Chairman of Board - Gharbia
- Mohamed El Dissouki	Undersecretary for Foreign Relations, MOA
- Hussein Sirry	Undersecretary for Cooperative Affairs, MOA
- Ali Abdel Rahman	General Manager for Training and Administration, Undersecretariat of Marketing Affairs, MOA
- Ahmed El Massery	General Manager for Marketing, Undersecretariat of Administrative Affairs, MOA
- John Sandbach	CLUSA Backstop Officer
- Abdel Hamid	Coop. Board Member - Menufia
- Ahmed Mbeda	Coop. Board Member - Menufia
- Ibrahim Mahari	Coop. Board Member - Menufia
- Mandour Shenoui	Manager of Menufia Cooperative
- Farid El Arig	Member of Board - Menufia
- Fathi Youssef	Member of Board - Menufia and UCS
- Abdel Magid	Asst. Marketing Manager - UCS
- Mr. Diash	Member of Board - UCS
- Tom Hemphill	CLUSA Home Office

- John Sandback	Director of International Programs CLUSA
- Samuel Nairouz	Manager of Production, UCS
- Hassan Kandil	Acting Marketing Manager, UCS
- Mrs. Samia El-Sayed	Chief Accountant, UCS
- Issa Ibrahim	Asst. Manager of Production, UCS
- Ahmed El Gamel	CLUSA Production Advisor
- Homer Preston	Chief of Party, CLUSA
- Merle Lashey	Credit Consultant, CLUSA
- Sayed Aloui	Member of the Board, Alex.
- Mr. Farid	Manager of Alexandria Cooperative Loans
- Mr. Dayash	Manager of Alexandria Coop. Marketing
- Isa Salim	Manager of Alexandria Fruits & Vegetables
- Abel Maksod El Tanikhi	Manager of Beheira Cooperative
- Mohamed Balba	Marketing Specialist, Beheira
- Ateia Hetita	Farmer and Lawyer
- Mr. Mekhamer	Member of Coop. Board, Beheira
- Mr. Khamis	Exporter
- Ahmed El Masry	Beheira Accountant
- Fathi Khalifa	Undersecretary of MOA, Gharbia
- Ahmed Samir	General Manager of Gharbia Cooperative
- Mr. Radi	Member of Coop. Board, Gharbia
- Ali Abu Ghizia	Chairman of Export Union
- Khaled Abu Ismaial	Manager ARATRA Potato Export Co.
- Massaud Mikhael	Administrative Assistant, CLUSA

plus approximately 30 small scale farmers, unnamed but not forgotten.

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