

**MONITORING, VERIFICATION AND EVALUATION UNIT
AGRICULTURAL POLICY REFORM PROGRAM**

**MVE UNIT
APRP**

Sponsored by:

**Government of Egypt,
Ministry of Agriculture and Land Reclamation**

**United States Agency for International Development/Egypt
Office of Economic Growth, Competitiveness and Agricultural
Development Division**

**THE IMPACT OF
APRP ON THE
ROLES OF THE
PUBLIC AND
PRIVATE SECTORS IN
EGYPTIAN
AGRICULTURE**

**Derick Brinkerhoff
John S. Holtzman**
Abt Associates

**Adel Mostafa
Nabil Habashi**
EQI



Abt Associates Inc.

Prime Contractor:
Abt Associates Inc.

Subcontractors:
**Environmental Quality International,
Management Systems International**

USAID Contract No. **263-0219-C-00-7003-00**

Project Office: 15th Floor, 7 Nadi El Seid Street, Dokki, Cairo
Telephones: (202) 337-0357, 337-0592, 337-0482
Fax: (202) 336-2009

June, 2002

Impact Assessment
Report No. 20

TABLE OF CONTENTS

LIST OF TABLES.....	iii
ACKNOWLEDGMENTS.....	iv
EXECUTIVE SUMMARY.....	v
1. INTRODUCTION: TRANSITION TO A MARKET ECONOMY.....	1
1.1 Objectives and Methodology of the Study.....	2
1.1.1 Objectives.....	2
1.1.2 Methodology.....	2
1.2 Changing Roles of the Public and Private Sectors in Agriculture.....	2
1.3 APRP Benchmarks Selected for Analysis.....	4
1.4 Overview of the Report.....	11
2. DELEGATION OF FUNCTIONS TO THE PRIVATE SECTOR.....	12
2.1 Cotton Pest Management.....	12
2.1.1 Assessment.....	15
2.2 Provision of Horticultural Export Support Services.....	17
2.2.1 Export-Oriented Agricultural Research and Extension.....	17
2.2.3 Airport Cold Storage.....	21
2.3 Agricultural Cooperatives and Cotton Marketing.....	23
2.3.1 Assessment.....	25
3. CAPACITY-BUILDING OF THE PRIVATE SECTOR.....	28
3.1 Cotton Pest Management.....	28
3.1.1 Assessment.....	29
3.2 Agricultural Cooperatives.....	30
3.2.1 Assessment.....	31
3.3 Trade Associations.....	32
3.3.1 Assessment.....	34
4. CAPACITY-BUILDING OF THE PUBLIC SECTOR.....	35
4.1 Cotton Pest Management.....	35
4.1.1 Analysis.....	35
4.1.2 Assessment.....	36
4.2 Statistical, Economic, and Trade Information.....	36
4.2.1 Agricultural Statistics.....	37
4.2.2 Market and Trade Information.....	38
4.2.3 Assessment.....	38
4.3 Water Supply and Use.....	39
4.3.1 Analysis.....	39
4.3.2 Assessment.....	41
5. PRIVATE-SECTOR PARTICIPATION IN POLICY.....	43
5.1 Agricultural Commodity Council.....	43
5.1.1 Analysis.....	43
5.1.2 Assessment.....	44
5.2 Egyptian Seed Association.....	45
5.2.1 Analysis.....	45

5.2.2	Assessment	46
5.3	Cotton Traders and Cooperatives	46
5.3.1	Analysis	46
5.3.2	Assessment	49
5.4	Ministry of Foreign Trade.....	49
5.4.1	Analysis	49
5.4.2	Assessment	50
6.1	From Policy Formation to Implementation.....	51
6.2	Role of APRP in Facilitating Policy Implementation	52
6.2.1	Policy Legitimization	52
6.2.2	Constituency-Building.....	53
6.2.3	Resource Accumulation	53
6.2.4	Organization Design and Modification.....	54
6.2.5	Mobilizing Resources and Action.....	54
6.2.6	Monitoring Progress and Impacts	55
7.	LESSONS AND CONCLUSIONS.....	56
7.1	Lessons Learned.....	56
7.2	Implications for Future USAID Programming.....	59
REFERENCES.....		61
ANNEX.....		66
ANNEX A: PERSONS CONTACTED.....		1

LIST OF TABLES

Table 1-1: APRP Benchmarks: Changing Public and Private Sector Roles.....	5
Table 2-1: Private and Public-Sector Roles and Responsibilities in Cotton Pest Management.....	16

ACKNOWLEDGMENTS

The team would like to thank Dr. Gary Ender, APRP/MVE chief of party, for his initiative in launching the impact assessment series and his interest in this study, and Dr. Mohamed Omran, CTO APRP Project Officer at USAID/Egypt, for his support. We are grateful to the staff of the APRP/MVE and APRP/RDI Units for their willingness to contribute information in support of the study's objectives, and to share their perspectives on APRP's accomplishments and results. We also want to express our appreciation to all those inside and outside of the Egyptian government who gave us the benefit of their views and experience in the course of our interviews. We thank Yvonne Louis and Dalia Radwan, APRP/MVE, for their competent and cheerful logistical and administrative support. Finally, the usual caveat applies: the views expressed are those of the authors and should not be attributed to USAID.

EXECUTIVE SUMMARY

Since the mid-1980s, the Egyptian government has been moving gradually toward trade liberalization and a market economy. The agricultural sector has been at the forefront of these changes. USAID has supported the Government in agricultural policy reform beginning in 1986 with the Agricultural Production and Credit Project (APCP), followed by the Agricultural Policy Reform Program (APRP), started in 1996, which has helped the Government to maintain progress on liberalizing agricultural markets and to undertake additional reforms to remove policy barriers to private sector participation in agriculture. The Government is moving from being the major actor in all realms of economic activity to a role of providing the legal and regulatory framework necessary for the private sector, and of supporting market-driven trade and investment. A common element across these reforms is a significant shift in roles for both the public and private sectors.

This study highlights the changes in the roles of the public and private sectors that were encouraged and supported by APRP. The analysis targets a set of policy benchmarks selected on the basis of their direct links to changed roles, and aims to document some of the success stories and impacts achieved. From among APRP's benchmarks, those related to the following policy areas were selected as illustrative of the shifts toward both better and less government and toward increased private-sector involvement in the agricultural sector:

- Government withdrawal from cotton pest management
- Promotion of, and cooperation with, trade associations
- Provision of horticulture export support services
- Expanded role for agricultural cooperatives
- Increased government capacity in information provision and dissemination
- Private-sector participation in policy dialogue and decision-making

The study traces the impacts of APRP assistance on the following features related to the changes in roles: government delegation of functions to the private sector and establishment of public-private partnerships, capacity-building of both the public and private sectors to take on new roles, government's shift to regulatory and information-provision functions, and private sector participation in policy formulation. It also examines APRP's assistance efforts in support of these changes, and offers lessons for policy reform programs.

Results. An overall picture emerges of positive and significant impacts of APRP technical and process assistance on all of the benchmarks reviewed. The Government has taken steps to allow the private sector to play a larger role in pest management and extension services for horticultural exports. Through pilot efforts, public and private-sector actors are building new capacities to work together and to take on new functions in pest management, and research and extension for horticulture. Construction is underway of a cold storage facility under private-sector management at the Cairo airport. The ministries of agriculture and of foreign trade are providing more and better information to the private sector and are engaging trade associations in policy discussions and decisions. The ministries of agriculture and of water resources and irrigation are cooperating in a new real-time irrigation information system that is improving the efficiency and effectiveness of Nile water use by Egyptian farmers. The private sector share of

cotton marketing is increasing. Trade associations and cooperatives have become more adept at mobilizing their interests, expressing their needs, and influencing agency behaviors.

In terms of APRP benchmarks, these results have produced clearly visible benefits regarding: a) state withdrawal from cotton pest management, b) promotion of trade associations, c) effective use of real-time irrigation system information, and d) improvement in agricultural statistics. Benchmarks where some initial benefits have emerged or where there is high potential for future benefits include: a) reorientation of agricultural research and extension services, b) establishment of the private-sector operated cold storage facility at the Cairo airport, c) promotion of cooperatives, autonomy and functioning (including cotton marketing), and d) promotion of private-sector participation in policy-making.

APRP contributions. The study documents the fact that policy reform is more than issuing decrees, passing laws, and promulgating regulations. Appropriate technical content is critical, but the process of change cannot be ignored. In support of the changes in roles and in achieving the benchmarks, APRP has contributed to results in the following ways:

- APRP provided technical expertise in analysis, international best practices, data collection methodologies, and training course design. Particularly important was assistance to the process side of reform in workshop design and facilitation, implementation planning/monitoring, awareness and dissemination.
- APRP served as a neutral broker between the Government and the private sector, and between government agencies. The various sets of actors remained confident that APRP was not taking sides, and thus were willing to listen to and follow APRP experts' recommendations.
- As a policy interlocutor with the Government throughout the elaboration of the benchmarks for the program's tranches, APRP helped to design implementation roadmaps, and facilitated legitimization of the benchmarks as targets.
- APRP's implementation reform support strategy, by working simultaneously at multiple levels (central to local) with many partners (public and private) and by building in some early successes, maneuvered around implementation roadblocks, showed stakeholders that change was possible.
- APRP successfully leveraged its resources and impacts. This contribution is exemplified by the collaboration with GTZ's Cotton Sector Promotion Program.

Lessons learned. A number of lessons emerge from the study:

- The public and private sectors need to work together as partners to take advantage of each one's distinctive competencies/capacities.
- Policy projects can serve as an important impetus for initiating change, and their budget support is a motivator for pursuing reform.
- The Government of Egypt's gradualist implementation strategy has led to series of short-run successes, but some interpret it as ambivalence and weak commitment. For long-term benefits, reformers and donors need to "stay the course."
- The demand side of policy reform is critical. Government commitment and ability to supply reform is enhanced by pressure from the private sector and civil society. Private-sector demand-making capacity is not always used in support of intended agendas of

reforms, but this is not a reason to abandon reform. Some degree of deviation from the ideal is to be expected.

- When using pilots as an implementation strategy, scaling up is critical to generating intended program impacts. Key challenges include:
 - ❑ Marshalling the resources to facilitate the expansion
 - ❑ Coping with insufficient existing capacity to support scaling up
 - ❑ Confronting interest group politics, whose effects can to some extent be mitigated in pilots, which emerge more forcefully with scaling up

Implications for USAID. As USAID reflects on the lessons of APRP and thinks about the scope and level of future support to Egypt's agricultural policy and institutions, the following implications should be considered:

- Pay attention to the interest group dynamics that shape policies and institutions
- Strengthen indigenous capacity to analyze policy issues
- Process assistance roles are very important for reform implementation
- Policy reform is a long-term effort, which requires long-term investment and commitment
- With USAID/Egypt resources declining, targeted interventions can help to make long-term investment effective. Some suggested targets include:
 - ❑ Business associations
 - ❑ Cooperatives
 - ❑ Customs agency administrative reform

1. INTRODUCTION: TRANSITION TO A MARKET ECONOMY

The revolution in 1952 established the Egyptian state as the nation's dominant political and economic actor. The Government maintained strong central control over the economy, including the agricultural sector. An ambitious land reform program dismantled large estates and distributed land parcels to small holders. While agricultural land was privately held, farmers were told what to plant and when, in accordance with government cropping plans. They received subsidized inputs from the Government's agricultural development bank and the Government-controlled agricultural cooperatives, and they sold their output to the bank and the cooperatives at fixed prices. State-owned enterprises dominated agricultural input supply and processing.

Investment in agriculture, along with growth, suffered in the 1960s, and saw further declines through the 1970s and into the 1980s. Farmers had little incentive to invest in their land and to increase production. Those with political connections and capital evaded the cropping restrictions, despite periodic government threats to crack down on violators, opting for higher value commodities such as livestock, fruit, and vegetables (see Harik 1997). Trade and exchange rate policies undermined export incentives.

Beginning in 1986, the Government took some initial steps toward trade liberalization and a market economy. The agricultural sector was at the forefront of these changes. Compulsory planting was limited to three crops, cotton, rice, and sugarcane; official prices for government-purchased commodities were increased, and some price controls were relaxed. The reform process took a large step forward in 1991 with the Economic Reform and Structural Adjustment Program (ERSAP), supported by the International Monetary Fund and the World Bank. ERSAP reduced producer and consumer subsidies, deregulated interest rates, unified exchange rates, lowered fiscal deficits and cut the money supply, encouraged more economic liberalization, and public enterprise restructuring. This was a classic structural adjustment exercise designed first to stabilize the economy and trim inflation, and then to deal with structural and policy constraints to market liberalization.

USAID supported the Government in agricultural policy reform beginning in 1986 with the Agricultural Production and Credit Project (APCP), which helped to reduce price and marketing controls, cut input and credit subsidies, and open opportunities for the private sector. APCP operated for ten years with total funding of \$309 million, and the reforms it supported achieved important impacts on production, productivity, income and trade in wheat, maize, cotton, rice, as well as eight minor crops (see Khedr et al. 1996). Following on the success of APCP, USAID's Agricultural Policy Reform Program (APRP), started in 1996, has helped the Government to maintain progress on liberalizing agricultural markets and to undertake additional reforms to remove policy barriers to private sector participation in agriculture. The program has encouraged the growth of export agriculture, and has targeted increased efficiency and sustainability in natural resources use for agriculture. APRP's sector program assistance has total funding of \$245 million.

A common element across these reforms is the significant shift in roles for both the public and private sectors. The Egyptian government is moving from being the major actor in all realms of economic activity to a role of providing the legal and regulatory framework necessary for the private sector, and of supporting market-driven trade and investment. Egypt's reform strategy has been characterized as a gradualist one, where a sequence of small reform measures are taken

over a period of years rather than a more dramatic, “big-bang” approach (see Ibrahim and Lofgren 1996). This strategy puts a premium on identifying an appropriate sequence of reforms, and then on maintaining progress over the long haul, avoiding stalemate or derailment of the changes. APRP has been a major partner with the Government in supporting the reform process.

1.1 Objectives and Methodology of the Study

This study highlights the changes in the roles of the public and private sectors that were encouraged and supported by APRP. The analysis targets a set of policy benchmarks selected on the basis of their direct links to changed roles, and aims to document some of the success stories achieved as a result of APRP assistance. Many policy evaluations concentrate on failures, based on the assumption that such a focus leads to corrective measures. Yet attention to success is also warranted to identify what has gone well and should be continued.

1.1.1 Objectives

The first objective of the study is to trace the impacts of APRP assistance on the following features related to the changes in roles: government delegation of functions to the private sector and establishment of public-private partnerships, capacity-building of both the public and private sectors to take on new roles, government’s shift to regulatory and information-provision functions, and private sector participation in policy formulation. The study identifies the incipient benefits and impacts of the changes in roles for farmers and other private sector actors.

The second objective is to examine APRP’s assistance efforts in support of these changes, draw conclusions, and derive lessons learned for policy reform programs. These lessons are intended to inform USAID’s thinking regarding agricultural policy reform design, and regarding policy reform programs in other countries and/or sectors.

1.1.2 Methodology

The study methodology combines interviews and a field visit with document analysis and literature review. The principal investigator’s in-country fieldwork in Egypt took place during the period January 8-28, 2002, though other team members continued to conduct interviews subsequently. Interviews were undertaken in Cairo and in Ismailia Governorate as well. The study also draws on interviews conducted with horticulture exporters for a related APRP impact assessment. The annex contains a list of persons contacted. The draft report was presented at an APRP review session in April 2002, and subsequently finalized. The final report was presented at the APRP/MVE Unit impact assessment conference in June 2002.

1.2 Changing Roles of the Public and Private Sectors in Agriculture

From the 1950s into the 1980s, most developing and transitioning countries followed a state-dominated path toward socio-economic development and growth. In the agricultural sector this strategy meant state control, either directly or indirectly, of input supply, credit and finance, research and extension, processing, and marketing. Failure to generate socio-economic betterment for their citizens plus serious financial crises provoked governments to reconsider state-led strategies, driven by internal social and political pressures and by the requirements of the fiscal and financial rescue packages of the International Monetary Fund and World Bank.

Fundamental to this reconsideration has been a rethinking of the role of government. Since the 1980s, the demands of economic liberalization, globalization, and democratization have moved governments forcefully in the direction of limiting the role of the state and expanding that of the private sector, though the pace and extent of this shift varies around the world.

The overarching concepts driving this role shift blend economic and governance factors. On the economic side are efficiency, effectiveness, and market mechanisms. On the governance side are accountability, transparency, responsiveness, and equity. These two categories of factors are linked in that efficient and effective markets depend upon the quality of governance. It is now widely recognized that market-driven development requires not simply less government but better government (see, for example, Grindle 1997). As the 2002 World Development Report says, “Many of the institutions that support markets are publicly provided. The ability of the state to provide these institutions is therefore an important determinant of ...how well markets function” (World Bank 2002: 99).

In the agricultural sector, less government means reforms such as, for example, liberalizing and/or privatizing input supply (fertilizer, seeds, pesticides, credit, etc.), marketing (e.g., state commodity boards, government-dominated cooperatives), and technology development (research and extension). Delegating functions to the private sector means that government’s role moves away from direct provision of services and/or domination economic decision-making toward working in partnership with producers’ associations, trade groups, farmers, and private agribusinesses (see, for example, Carney 1998). Less government means reduction and/or elimination of unnecessary and encumbering regulations, and of administratively determined pricing systems. Over-regulation and government-set prices contribute to macro-economic distortions and to opportunities for rent-seeking.

For agriculture, better government involves roles for the public sector that, depending upon the country, may be either new or undersupplied. Key roles, for example, are providing a competition-enhancing regulatory framework for production, technology development, marketing, and trade; licensing private input and service providers where needed; generating and disseminating technical and market information useful to agricultural sector actors; enforcing property rights, land tenure, and contracts; and assuring the provision of necessary infrastructure investment. Better government entails policies and programs that address situations of market failure, deal with externalities, and assure a sufficient and ongoing supply of critical public goods. For example, in many developing countries, research and extension on food crops that benefit the rural poor, where producers have limited economic clout, need government intervention. This does not necessarily mean, however, direct public provision.

Better government has a process dimension as well. Making agricultural information available and disseminating it to those who can use it contribute to the transparency that helps markets to function more effectively. Providing producers’ associations and trade groups with opportunities to engage in policy dialogue and to offer feedback on government agriculture-related services increases accountability and responsiveness. Public participation in policy design and decision-making also augments the quality of those policies and decisions.

The shift in roles has implications not simply for government, but for the private sector as well. As government delegates functions to the private sector and takes steps to create a competition-enhancing policy and regulatory environment within which private sector actors can operate

freely, they need the capacity to fulfill those functions effectively. For example, input suppliers, exporters, and agribusinesses may need to expand rapidly to meet demand, maintain quality, meet standards, and develop new markets. As associations and cooperatives engage in their new roles related to participation in policy dialogue, they need to build policy analysis and advocacy capacity, forge alliances, and to make sure they serve the needs of their constituencies. As the private sector shifts toward working in partnership with government, actors need increased understanding of technology, market, and regulatory issues. Another role involves self-regulation and social responsibility, which become more important as the private sector turns into a more prominent actor in socio-economic development.

1.3 APRP Benchmarks Selected for Analysis

The design of APRP, its initial set of benchmarks, and the additional benchmarks developed and agreed to jointly between the Egyptian government and USAID over the life of the program incorporate the principles behind the shift in public and private sector roles in agriculture briefly sketched above. From among all of APRP's benchmarks, those associated with the following policy areas (shown in Table 1) were selected as particularly illustrative of, and relevant to, the shifts toward both better and less government and toward increased private-sector involvement in the agricultural sector:

- Government withdrawal from cotton pest management.
- Promotion of, and cooperation with, trade associations.
- Provision of horticulture export support services.
- Expanded role for agricultural cooperatives.
- Increased government capacity in information provision and dissemination.
- Private-sector participation in policy dialogue and decision-making.

A brief overview of each of these policy areas follows, along with a summary of APRP's target activities, and a listing of the expected benefits of the reforms.

Table 1-1: APRP Benchmarks: Changing Public and Private Sector Roles

Policy Area	Benchmarks (Tranche #, BM #)	Public-Private Role Issues
Government of Egypt (GOE) withdrawal from cotton pest management	<ul style="list-style-type: none"> · The GOE will continue to supervise the cotton pest control program, and will make an announcement to: allow cotton growers to choose among MALR approved cotton pest control practices; and permit the private sector to provide MALR approved pest control services directly to the farmers (I, 4c.i, 4c.ii). · The GOE will establish a pest management strategy that defines clearly the roles of government agencies, private sector service providers (including cooperatives), and farmers in pest control. This strategy will include provisions to ensure environmental protection and government regulation, inspection and oversight of pest control operations carried out by private sector companies. Farmers will have a choice of service providers in a competitive market (II, C9). · The GOE will revise and reissue open and transparent regulations to register pesticides and will issue regulations to license pesticide companies and applicators (III, D7). · The GOE will allow the private sector to provide all cotton pest management services by December 2000. The MALR will be responsible only for inspection and quality control, licensing and provision of extension advisory services (IV, D6). 	<ul style="list-style-type: none"> · Delegation of functions to the private sector. · Private-sector capacity-building. · Public-sector capacity-building. · Government role in regulation, licensing, and information.
Promotion of, and cooperation with trade associations	<ul style="list-style-type: none"> · The GOE will ensure that the private sector membership on the agricultural advisory councils comes from private industry/commodity groups (IV, D1). · The GOE (MEFT) will direct funds to private associations to help finance activities related to the development of Egypt's competitiveness in exports (V, D6). 	<ul style="list-style-type: none"> · Private-sector capacity-building.

<p>Provision of horticulture export support services (export-oriented research and extension, airport cold storage)</p>	<ul style="list-style-type: none"> · The MALR will develop and approve a policy that defines the role of public-sector research and extension institutions in support of the private free-market agricultural economy of Egypt (II, D4). · The MALR will implement a phased plan for support and/or transfer of specified research and extension activities to the private sector (III, D8). · The GOE (MALR) will develop and approve a new policy mandating extension officers to undertake tasks that respond directly to the needs of stakeholders in the agricultural production, marketing and processing economy (IV, D4). · GOE will allow privately operated cold storage services using market pricing to operate within the Customs area at all international airports in Egypt (IV, D3). 	<ul style="list-style-type: none"> · Delegation of functions to the private sector. · Public-sector capacity-building · Private-sector capacity-building
<p>Expanded role for agricultural cooperatives (increased autonomy, increased involvement in cotton marketing)</p>	<ul style="list-style-type: none"> · Submit legislation to the People's Assembly to create the legal framework for independent, Commercial cooperatives; in which individual members have complete independence to join, resign, cast their vote, be elected to the Board of Directors, and share in dividends (I, IIG1). · The People's Assembly will amend the agricultural cooperatives law to make the cooperatives effective institutions (II, D3). · The MALR will ensure the management autonomy of Multipurpose Credit and Specialized Cooperatives (V, D5). · Eligible private entities are allowed to register as domestic cotton dealers, exporters and importers (I, IA11b). · The GOE will allow private sector cotton buyers and cooperatives to set up and operate marketing rings for the collection and purchase of seed cotton (V, D1). 	<ul style="list-style-type: none"> · Private-sector capacity-building. · Delegation of functions to the private sector.
<p>Increased public-sector capacity to provide and disseminate statistical,</p>	<ul style="list-style-type: none"> · The GOE (MALR) will collect, manage, and distribute agricultural data and information on farm production and income at the farm and national levels to meet the private and public sector needs (IV, D7). 	<ul style="list-style-type: none"> · Government role in regulation, licensing, and information. · Public-sector capacity-building.

<p>economic, and trade information</p> <p>Private-sector participation in policy dialogue and decision-making</p>	<ul style="list-style-type: none"> · The GOE (MPWWR and MALR) will establish a system that improves the flow of real-time information between ministries with respect to irrigation demands and supplies (IV, C1). · The GOE (MEFT) will establish a policy to publish Egypt's trade agreements and disseminate monthly bulletins of disaggregated, product-by-product trade data (V, D4). · The GOE (MEFT) will issue a decree that requires the discussion of foreign trade draft regulations with stakeholders before the issuance of the regulation (V, D10). 	<ul style="list-style-type: none"> · Government role in regulation, licensing, and information. · Private-sector capacity-building. · Public-sector capacity-building.
---	--	---

1.3.1 Government Withdrawal from Cotton Pest Management

Cotton is one of Egypt's most economically important crops, and the Government has maintained tight control of all aspects of production and marketing for many decades, including pest management. Prior to the initiation of reforms, farmers were excluded from any decision-making related to pest control. The Government-run system was administratively cumbersome, expensive, inefficient, and led to overuse of pesticides. As part of agricultural sector liberalization and privatization, farmers have slowly been given more choices in pest management, and private pesticide suppliers have emerged to provide inputs and services. The APRP benchmarks aimed to progressively shift the Government's role from that of direct supplier of goods and services and of pest control manager to a role of providing inspection, quality control, regulation and licensing, and extension advice. The anticipated benefits of this role shift include: a) improved private pest management service delivery networks, and positive spread effects on other input supply chains; b) improved ability of farmers to manage pest control independently, and thus respond more quickly to local needs and conditions, as well as use pesticides more safely; c) reduced application of pesticides due to increased knowledge and elimination of price subsidies; d) ultimately, improved cotton yields, lower production costs, and higher incomes for farmers; and e) redirection of government resources to other needs.

1.3.2 Promotion of, and Cooperation with, Trade Associations

In a liberalized economy, the public and private sectors work jointly to promote economic growth with a shared interest in increased exports, employment, value-added, and incomes. This collaboration depends upon mechanisms that can represent and give voice to private sector interests, and that can bring together government policymakers and private actors for discussion and dialogue. Before liberalization, Egypt had few of such mechanisms, and those that existed were dominated by the state. APRP has provided assistance to trade associations and to agricultural commodity councils. Benchmarks targeted structuring of council functioning to assure fruitful policy dialogue, and government support to trade associations in export promotion. Expected benefits from the commodity councils include: a) representative leadership on the councils; b) a more formalized and effective role for the private sector in policy formation and implementation; and c) better policies and regulations, particularly related to agricultural exports. Benefits from more government support to export promotion would be: a) more effective promotional campaigns for exports, b) more trust between the public and private sectors, and c) increased exports for targeted commodities and products.

1.3.3 Provision of Horticulture Export Support Services

Successful export-oriented horticulture requires responsive and effective research and extension services, plus transportation infrastructure. Farmers need significant amounts of market and technical information to achieve and maintain competitiveness. These demands on the public-sector research and extension system call for a rethinking of its role and capacities, and increased attention to a private-sector role in providing these services. APRP has worked with the Ministry of Agriculture and Land Reclamation (MALR), the Agricultural Research Center (ARC), and private sector actors to redefine these roles and to promote the creation of capacity to support export agriculture more effectively, as the benchmarks for this area indicate. The expected benefits include: a) a redefined public-sector role in research and extension; b) increased private-sector provision of research and extension services; c) increased focus and impact on high-value

export crops; d) improved, streamlined inspection, licensing and quality control procedures and services; e) increased farmer input into the mix of services delivered to alleviate constraints in the agricultural economy; f) improved delivery of extension services; and g) improved rate of development and adoption of basic and adaptive technologies.

Besides effective research and extension, export-oriented horticulture depends upon improving and maintaining the quality of exported products. Transportation infrastructure that can sustain the cold chain from supplier to customer is critical for high-quality horticulture exports. The Government-owned and operated cold storage facility at Cairo Airport has not provided adequate cold storage services for exporters of perishable horticultural products. Airport facilities need to be improved and competitive, market-driven rates should be charged. APRP has supported a public-private partnership where the Egyptian government will delegate to the private sector the construction and operation of cold storage facilities within the Customs area at international airports. The anticipated benefits are: a) facility use fees will be market-determined and competitive; b) postharvest losses will be reduced, and the volume and product quality of horticultural exports shipped will increase; and c) eventually incomes and employment for producers and handlers/packers of horticultural goods will increase.

1.3.4 Expanded Role for Agricultural Cooperatives

Following the 1952 revolution, the Government policy of centralized economic planning brought the previously private and independent agricultural cooperative movement under full government control. Since liberalization, cooperatives have begun to re-emerge as representatives of small farmers, and to provide services, although to a large extent they remain public-sector organizations under government control. With support from the MALR and from APRP, many Egyptian and foreign private companies have begun joint ventures with multiple purpose credit and specialized cooperatives to improve the quality of on-farm production and to install post-harvest handling infrastructure for sorting, packing, cooling, and transport. Cooperatives are increasingly involved in seed cotton marketing as independent, private actors. From the start of APRP, reform efforts have been aimed at assuring and reinforcing the independence of agricultural cooperatives, and shifting the role of the MALR away from influencing the management of cooperatives to allow them to function more autonomously. APRP benchmarks have concentrated on modifying the legal framework for cooperatives, and on giving cooperatives the leeway to decide on, and pay for, whatever technical support services they want.

The expected effects are: a) increased cooperative capacity for self-management and effective member representation, b) increased investment by cooperatives in post-harvest handling technology, c) group marketing and contracting for agricultural inputs and outputs, d) increased contracting with private sector exporters and processors, e) direct exports by cooperative producer groups, and f) higher incomes for members.

1.3.5 Increased Government Capacity in Information Provision and Dissemination

Data-based decisions are critical for both government agricultural policy-makers and private investors. As the Egyptian government has moved away from making production decisions for farmers, farmers need timely and high quality information so that land, water and other factors of production will be used more optimally. Processors and traders need information on yield forecasting and prices, both domestic and international. Improved quality of public information, and stronger educational outreach efforts to facilitate understanding and use of this data in

decision-making by the public and private sectors, are important for agricultural growth. Information is a critical public good that government needs to provide in support of liberalization. APRP has focused on assisting the MALR to collect and disseminate farm-level agricultural and economic statistics, and to improve within-season crop yield forecasting for wheat and cotton; and helping the Ministry of Water Resources and Irrigation (MWRI) to deal with the mismatch between irrigation water use and supply.

These sets of information are of use to both public and private-sector actors. Planned benefits are: a) better empirical data on crop budgets (revenues and costs), and more reliable estimates of net farm income and agricultural national income to inform policy decisions; b) better investment decisions by producers, buyers, and exporters, based on accurate data on comparative costs and returns; c) increased farmer and exporter incomes; and d) better management of water resources.

For a related set of information to promote agricultural exports, APRP has targeted increased transparency of information on trade agreements, export and trade data, and commercial opportunities. Here, expected effects include: a) increased availability and dissemination of trade-related information, b) improved ability of exporters to identify and respond to new commercial opportunities, c) improved policy dialogue between the Government and exporters on international trade and investment, d) increased private investment and competitiveness among agricultural exporters, and e) increased exports.

1.3.6 Private-Sector Participation in Policy Dialogue and Decision-making

Incorporating the perspectives and needs of the private sector into public policy discussions and decisions contributes to better quality policies and to building stakeholder buy-in to decisions taken. Participation helps to make transparency operational by opening up the decision-making process, and builds trust among participants, which can support the kind of public-private cooperation necessary for market-driven, export-led agricultural development. However, private-sector participation is not necessarily limited to situations where the Government invites members of the private sector to engage in dialogue. Participation also refers to the private sector's self-initiated efforts to exercise voice in support of its interests¹. In this sense, private-sector participation contributes to countervailing the power of the state in its relations with citizens. APRP's work with trade associations has helped the private sector to mobilize constituencies in favor of agricultural and economic reforms. The expected effects are: a) increased expression of private-sector interests to public officials, b) increased private-sector influence in policy decision-making, and c) ultimately, more accountability and decreased arbitrariness in agribusiness policy-making.

Another policy area where APRP has supported expanding opportunities for private-sector

¹ The economist, Albert Hirschman, defines voice as “any attempt at all to change...an objectionable state of affairs, whether through individual or collective petition to the management directly in charge, through appeal to a higher authority with the intention of forcing a change in management, or through various types of actions and protests, including those that are meant to mobilize public opinion” (Hirschman 1970: 30).

participation is in export promotion and trade policy. The Egyptian government's MFT has taken steps to support the private sector in expanding exports through regulatory reform, but sometimes has proceeded without prior consultation with affected stakeholders, both individual firms and trade associations. APRP has helped the MFT to formalize private-sector participation in discussions of regulations and trade agreements before these are enacted in final form. The anticipated benefits of this institutionalized participation are: a) sustained policy dialogue between public and private-sector actors; b) increased transparency and responsiveness of regulations to stakeholder needs, while avoiding capture by special interests or rent-seeking; c) improved export promotion and trade policies; d) greater understanding and acceptance of MFT regulations among exporters; and e) increased foreign and domestic investment in export agriculture.

1.4 Overview of the Report

This opening section introduces Egypt's agricultural sector reform, presents the purpose of the study and a rapid picture of the changing role of the public and private sectors in agriculture, and summarizes the APRP benchmarks selected for analysis. Section II examines the delegation of functions from the Egyptian government to the private sector, with a focus on APRP actions and impacts on cotton pest management, horticulture export support services, and cooperatives and cotton marketing. In Section III, the discussion turns to capacity-building of the private sector to take on new roles; APRP's work with private pesticide firms, agricultural cooperatives, and trade associations is reviewed. Section IV considers APRP activities and impacts related to building the Government's capacity to fulfill roles in regulation and information provision. The analysis targets cotton pest management, agricultural information of various types, and bottom-up information on irrigation water utilization. Section V focuses on private-sector participation in policy, looking at three instances of private-sector initiatives to influence policy, the MFT's efforts to include the private sector, and APRP supporting activities. In Section VI, the report addresses the process of policy change, and summarizes the role APRP has played in realigning the functions of the Egyptian government and the private sector within the context of agricultural policy reform. The final part, Section VII, offers some conclusions, recommendations, and summary thoughts.

2. DELEGATION OF FUNCTIONS TO THE PRIVATE SECTOR

A cornerstone of Egypt's transformation from a state-dominated to a market-based economy involves expanding the role of the private sector by delegating functions that previously were fulfilled by the state. In the agricultural sector, the reduction in state domination is reflected in the removal of controls on agricultural input and output prices, elimination of the crop quota structure and delivery system, relaxation of government control of crop rotation, and the moves toward privatization of domestic and export markets for products including rice and cotton. Opening up agriculture to allow more room for the private sector, particularly for exports, is critical for Egypt because of the prominent role agriculture plays. The agricultural sector accounts for about 17 percent of the gross domestic product, and about one third of employment. Cotton is the country's most important and strategic agricultural export, but horticulture products are increasing in significance on the export front, with the United States, Europe, and the Gulf States being major markets (see World Bank 2001).

As the Egyptian government has moved forward with freeing up the economy from state control and delegating functions to the private sector, APRP has been a source of analytic and technical support to these efforts, recognized as such by those interviewed for this study and in other donor agency reports (for example, World Bank 2001). The starting point for agricultural-sector privatization and liberalization was one of strong state control. Thus, dismantling the structures and processes created to exercise that control, and changing the mindset of public officials that reinforces them, are long-term endeavors. APRP built upon earlier benchmarks under its predecessor, APCP, where the Government took initial steps to allow farmers to decide what to plant, whom to sell to, and so on. For example, by 1996 rice farmers were no longer required to sell their paddy to the Government at fixed prices, but could search among a range of buyers for the best prices. A private-sector rice trade and milling industry grew rapidly, and the public-sector rice mills' share of the paddy crop dropped significantly (see Holtzman 2000). However, progress has not been uniform on all fronts, and several observers note lags in privatization over the past few years. Nevertheless, significant steps have been taken, many with support from APRP.

This section overviews several examples of delegation of functions by the Egyptian government to the private sector to which APRP has provided assistance. The first is cotton pest management, where over a multi-year span, the Government is moving pest control to private agricultural input firms, allowing farmers to make their own decisions regarding pest management, and reinforcing its regulatory and licensing role. The second example looks at horticulture export support services, focusing on agricultural research and extension and on cold storage facilities. Reorienting research and extension to support the export horticulture industry involves changes in the public research and extension system and expansion of the role of private extension agents in working with agricultural cooperatives and exporters. The establishment of a new cold storage facility at the Cairo airport under Horticultural Export Improvement Association (HEIA) management represents a highly visible milestone in the Egyptian government's shift toward more directly involving the private sector in service provision. The third example focuses on the growing role of agricultural cooperatives in cotton marketing, an area previously dominated by the public sector.

2.1 Cotton Pest Management

Reducing government control of pest management has been a goal of economic liberalization of the agricultural sector for many years. Over time, the private sector has assumed a larger role in providing these services, however when it came to cotton, government intervention remained pervasive. Cotton is a major source of foreign exchange and it supplies the textile industry, an important export, employer, and income generator. However, the Government's tight control impeded the emergence of an internationally competitive cotton industry, and by the late 1980s senior MALR decision-makers began to consider measures to liberalize and privatize, thereby shifting the mix of roles between the public and private sectors. One aspect of this shift was to allow farmers choices about pest management regimes used on their fields. During the early to mid 1990s, the Government gradually reduced cotton pest control subsidies, which were the target of four APCP benchmarks. However, MALR extension agents and pest control staff still made most of the decisions on cotton pest management for farmers and provided services directly, though farmers were now charged for the services.

APRP Tranche I included a benchmark to authorize the private sector to provide pest management services to farmers (I, 4c.i, 4c.ii). Although the benchmark was not met, by the late 1990s the MALR began to modify the legal framework so as to create the conditions under which the private sector could assume functions previously fulfilled by government entities, and the public sector could move in the direction of regulation and licensing. Severe pest infestations of the 1998/99 cotton crop highlighted the problems with the rigid and inefficient state-controlled pest management system, and the need for change. Decree No. 663 in 1998 provides for new pesticide registration procedures. The decree calls for licensing traders, applicators, and equipment; training and certification programs; curbing of product adulteration and smuggling; as well as environmental and health protections. It also streamlines farmer access to registered pesticides. Decree No. 256, issued in 1999, allows cooperatives to offer pest management services, and farmers to purchase pesticides from the cooperatives located in their villages. This decree signaled a shift from government domination of pest management to opening up service provision to private actors. While cooperatives are semi-public organizations, nonetheless, they have some features of private entities, and thus the decree indicated MALR willingness to move in the direction of privatization of pest management service provision.

During this same period, to clarify the implementation steps for the decrees, the MALR developed a strategy statement for the liberalization of pest management services, with support from APRP and GTZ's Cotton Sector Promotion Program (CSPP), encouraged by the Tranche II benchmark calling for the strategy (C9). Since the essence of the reform was to expand the role of the private sector, it was important that the strategy statement emerge from a consultative and participatory process with private-sector actors, rather than reflect a unilateral, government-only perspective. APRP and CSPP facilitated a series of meetings and workshops throughout 1998 to assemble input for the strategy, and supported its development along with an accompanying implementation plan. Strategy development included discussions with APRP about benchmarks for Tranches III and IV, which became milestones for implementation (III, D7; IV, D6). The strategy was presented to H.E. Minister Wally, who approved it, thereby confirming the MALR's commitment to proceed (see Hindi and Treen 1998).

The strategy development process revealed several factors that needed to be addressed to move ahead with cotton pest management reform. First, a number of MALR staff were concerned about farmers' and private pesticide firms' knowledge, capacity, and commitment to handle

dangerous pesticides responsibly. This concern translated into a lack of trust, coupled with a reticence to relinquish control. Second, while numerous discussions bringing together government and private-sector stakeholders had been held, there were still differences of opinion regarding the scope and details of the shift in public-private roles for pest management. From the point of view of MALR technical staff, for example, a major question was, if they are allocating their functions to private-sector actors, what then remains for them to do? Third, despite the espoused commitment to change roles and move away from command-and-control management, the behavior patterns of many (though not all) officials in the MALR and related pesticide agencies continued to reflect the traditional top-down, directive attitudes of the past.

The reform implementation approach developed by APRP and CSPP in close consultation with the MALR dealt with each of these issues. Workshops and meetings brought together public and private-sector actors for intensive exchange and dialogue. From the private sector, participants included members of EATSAP (Egyptian Association of Traders in Seeds and Pesticides) and Crop Life Egypt (the association of agrochemical producers). These events fulfilled several purposes. The intensive interaction with private sector that took place served to build trust and confidence among government actors, helping them to see that their private-sector partners were sincerely interested in dealing with pest management problems, regulatory and certification issues, and enforcement to curb abuses and reduce environmental and health threats. The style of interaction encouraged by the APRP facilitators and trainers sought explicitly to model new behaviors, demonstrating to government actors that participatory consultation and shared problem-solving was an effective way of engaging with the private sector. Through the series of events a shared, mutually negotiated vision began to emerge that led to greater understanding of, and agreement on, their respective roles and responsibilities. APRP captured the shared vision in one of its Policy Briefs, which was widely disseminated (see RDI 2000a). As another dissemination tool, in cooperation with CSPP, APRP produced a 20-minute video on pest management liberalization, which helped to assure a clear and consistent message. Finally, the workshops served very important training, awareness creation, and capacity-building functions for both public and private-sector actors, as Sections III and IV below discuss in more detail.

As a means both to work out the operational details of delegating pest management to the private sector and to demonstrate its feasibility, the reform implementation approach included pilot tests in four governorates: Dakhaleya, Menofeya, Beheira, and Kafr El Sheikh². The pilots began in early 2000 with a workshop in Cairo for representatives from all four governorates, plus MALR central staff, followed immediately by implementation planning workshops for each individual governorate. These were succeeded by workshops for farmers, held in villages in the districts selected for the test. In November 2000, APRP facilitated a review workshop that examined progress to date, and laid the groundwork for expansion the next year. In 2001 the pilot program was extended to other districts within the four governorates. APRP supported another round of implementation planning workshops, large numbers of farmer-level workshops, and progress review sessions (see Sections III and IV for details). These events spread the shared vision of the new roles and responsibilities, through discussion and use of the video and written materials, and helped local actors, agricultural extension agents in particular, better understand the operational implications of delegation to the private sector and of public-sector oversight.

In tandem with the central-level consensus-building and visioning regarding roles and responsibilities, and with the pilot test program in the governorates, work progressed on the legal

² The pilot test program grew out of the planning for how to meet APRP Tranche IV Benchmark D6.

and regulatory framework. In 1999 in support of Tranche III Benchmark D7, ARPR worked with the MALR on an analytic review of existing pesticide laws and regulations, some dating from decrees issued in the 1950s (see Oteifa et al. 1999). This exercise led to the preparation by the MALR of new draft regulations for pesticide registration and a manual³. A series of seminars and workshops in 2000 focused on review of the draft pesticide regulations, the manual, and certification and training. EATSAP and Crop Life Egypt participated actively in the review process, and in 2001 EATSAP organized, with APRP and CSPP support, an extensive series of workshops for pesticide traders in Assuit, Tanta, Mansoura, Alexandria, and Zagazig. In mid-2001, EATSAP, Crop Life Egypt, APRP, and CSPP began development of a training program for pesticide dealers and applicators that will prepare them for MALR certification and licensing. The program includes an interactive training course with 10 modular sessions, and both a technical and a trainer's manual. Training-of-trainer workshops began in that same year, and are continuing in 2002, with assistance from APRP and CSPP (see Section III).

2.1.1 Assessment

The story of cotton pest management liberalization and privatization is cited as a success both by those the team interviewed and by the various written sources the team consulted. It is a long narrative, covering nearly a 15-year period with most of the changes taking place in the last five years from the passage of Decree 663 in 1998 through Decree 1796 in 2001 to the present-day activities associated with registration and licensing of private pesticide providers. This latter decree gives cotton farmers the right to obtain services and inputs for pest control from cooperatives, private pesticide dealers, or service firms. The story reflects the evolutionary nature of shifts in policy and regulatory frameworks, the influence of entrenched bureaucratic interests and procedures, and the persistence of ingrained attitudes and behaviors. Given these factors and the tight state controls and risk-aversion of the Government at the start of the reform process, the degree of change achieved is remarkable and commendable. While the various actors in both the public and the private sectors are not yet in a position to fully exercise their new roles and responsibilities, illustrated in Table 2, major steps have been taken. The new rules and regulations, the registration program, and the hands-on practical experience of the pilots are all concrete manifestations of the delegation to the private sector and the reduction of direct input and service provision by government.

³ **The manual includes: registration and licensing requirements, initial and renewal; testing protocols and associated technical standards; approval, registration, customs clearance, and certificate of analysis forms; and rules governing pesticide stores and shops.**

Table 2-1: Private and Public-Sector Roles and Responsibilities in Cotton Pest Management

<p>Private Sector:</p> <p><u>Farmers</u></p> <ul style="list-style-type: none"> · Make decisions about spraying; choice of pesticides, purchaser, hire/own spraying equipment. · Conduct pest management activities, including pest scouting, egg mass collection, and treatment application. · Remain informed and up-to-date in technical aspects of integrated pest management. · Pay for all costs associated with pest management operations in their fields. · Follow government recommendations and regulations regarding pest management and pesticide use. · Assume responsibility for adverse effects of their pest management decisions and actions. · Encourage other farmers to work cooperatively on combined land plots to optimize pest management. <p><u>Pesticide Dealers and Cooperatives</u></p> <ul style="list-style-type: none"> · Establish and operate retail outlets to provide pesticides and pest management equipment and services to cotton producers at competitive prices. · Provide credit services to farmers who request it to cover pest management expenses, and collect outstanding balances at the end of the season. · Ensure proper storage facilities for pesticides and sprayers. · Ensure availability of products and equipment, provide for maintenance and repair of sprayers. · Support proper use of pesticides among farmers. · Follow government regulations regarding pesticide and pest management equipment, and provide information as needed.
<p>Public Sector:</p> <p><u>Ministry of Agriculture and Land Reclamation</u></p> <ul style="list-style-type: none"> · Provide legal and regulatory framework for pest management, including licensing. · Support enforcement agencies in the application of rules and regulations. · Provide technical recommendations for cotton pest management strategies. · Inspect and monitor pest control operations to protect consumers and producers, mitigate environmental impacts. · Conduct pest monitoring, forecasting, and early warning; and maintain database. · Develop training and education programs for farmers and private pesticide firms. <p><u>MALR Extension Agents</u></p> <ul style="list-style-type: none"> · Provide technical advice and support to farmers on all aspects of cotton production. · Educate farmers in new pest control techniques. · Encourage farmers to work cooperatively and form communal pest control units. · Monitor pesticide applications and pest management practices in farmers' fields. · Report cotton pest management results/findings to district, governorate, and central MALR units. · Perform bollworm scouting, inform farmers of infestation levels, and provide technical guidance.

Sources: Adapted from RDI (2000a) and El-Fattal et al. (2001).

The road forward has not been without bumps and frictions. While the MALR has begun to accept the private sector as a legitimate actor in pest management, suspicions remain, and private firms still voice complaints about lack of trust. One step to address the trust issue that Crop Life Egypt has taken is to adopt a code of conduct so as to demonstrate a commitment and a capacity for self-regulation. EATSAP as well has developed a similar code, which as of this writing has not yet been signed by its members. On the regulatory front, there is a thicket of rules, some of which are contradictory, that leave the door open to inadequate enforcement, potential rent-seeking, and administrative interference in the cotton pest management marketplace.

APRP has been instrumental to the success of cotton pest management in a number of ways. First, as a policy interlocutor with the MALR throughout the program's tranches, APRP-led negotiations established the roadmap for cotton pest management liberalization and privatization that is embodied in the benchmarks. Second, APRP provided technical expertise in a variety of areas: pest management, legal and regulatory analysis, international best practices and protocols (e.g., WTO and EU), workshop design and process facilitation, training course design, policy implementation planning and monitoring, and dissemination materials development. Third, APRP's reform support strategy, by working simultaneously at multiple levels (central to local) with many partners (public and private) and by building in some early successes in the pilot governorates, maneuvered around implementation roadblocks and assured the various stakeholders that change was possible. Fourth, APRP served as a neutral broker between the MALR and the private sector; both sets of actors remained confident that APRP was not taking sides, and thus was, and is, willing to listen to and follow APRP experts' recommendations. Fifth, APRP successfully leveraged its USAID resources and impacts through close collaboration with GTZ's CSPP.

In some respects the story is not yet over. The achievements to date have laid the groundwork for the anticipated impacts on pest management service delivery, farmers' use of pesticides, yield increases, production efficiencies, and higher farmer incomes. There is some evidence that cotton farmers now use fewer pesticides, the average application is about half of what it was before liberalization, and yields have maintained their current levels or improved. El-Fattal et al. (2001) report that farmers in the pilot program villages reduced their cotton pest management costs to less than LE 100 per feddan, versus costs as high as LE 170 per feddan in neighboring villages that did not participate in the pilot.

2.2 Provision of Horticultural Export Support Services

As Egypt seeks to take advantage of its potential to export high-value horticulture products, attention to quality is key. Maintaining and improving quality require effective export support services. These include: up-to-date market and technical information, extension and technology transfer services targeted to a range of producer needs, and modern packaging and transportation infrastructure. As part of economic liberalization, the Government has moved to involve the private sector more directly in these support services, delegating functions to private actors, mainly through collaborative partnerships. This delegation has led both to new roles for the private sector, and to a modification of public-sector roles as well.

2.2.1 Export-Oriented Agricultural Research and Extension

In rethinking the role of public-sector research and extension services, the MALR considered two aspects. The first was the quality of the services, encompassing issues of technical quality of the information and advice provided, timeliness and responsiveness to producers' needs, and utilization of the information and advice to increase production levels, product quality, and exports. The second was the cost of services, including who was paying for what services, ability-to-pay issues, and budgetary pressures on the public research and extension system⁴. APRP supported the MALR and the ARC in this assessment of roles and capacities, and under Tranche II (D4) helped to develop a new policy that more closely aligned the research and extension system with the demands of export-focused agriculture. Subsequently under Tranches III (D8) and IV (D4), the MALR and the ARC moved toward implementation and refinement of the new policy through testing new roles and new ways of interacting with the private sector in a series of pilot governorates, starting in Ismaileya, focusing on horticultural exports. APRP has continued to provide analytic and process support to the policy implementation phase.

APRP's analytic assistance began in 1997 with a review of the existing agricultural research and extension system, and a series of six seminars and workshops to assess the findings and build consensus on what sort of policy changes would be appropriate for reorienting the system to better support export-oriented agriculture (see Oteifa et al. 1998). Reform needs were identified in the areas of research priority-setting; research-extension linkages; human resources, including training, knowledge updating, and remuneration; farmer participation and feedback; and communication among institutions within the system. Crosscutting these reform areas was the need for the public research and extension system to involve the private sector more actively. These deliberations led to the formulation of the Tranche II benchmark. Work on designing a new policy framework continued throughout 1998 with additional workshops in Fayoum, Luxor, and Damanshour. These brought together a total of 130 participants from central MALR research and extension staff, governorate staff, farmers, producers, traders, and exporters. A policy proposal emerged from these activities, with objectives and a broad implementation roadmap for the MALR, which the Minister approved (see Oteifa and Gomaa 1998).

The next step was to elaborate the implementation roadmap into a "phased plan for support and/or transfer of specified research and extension activities to the private sector" (Tranche III, Benchmark D8). The MALR's Central Administration for Agricultural Extension (CAAE) and the ARC developed a plan for a pilot test in the governorate of Ismaileya. APRP facilitated four planning workshops in Ismaileya in 1999 to flesh out the plan's details and assure agreement on direction and activities. The plan targeted training extension agents in export-oriented production technologies, establishing contract farming between farmers and exporters, improving horticulture export packing and transportation infrastructure, and forming independent producer cooperatives. Central components of the plan, whose implementation began in 2000 and is ongoing, are the active participation of the private sector, and public sector responsiveness to the technology needs of private-sector exporters (Tranche IV, D4).

A major private-sector partner is HEIA, which, with support from APRP, is training about 50 extension agents in the governorate in cultivation techniques according to European Union

⁴The Government wage bill for agriculture is substantial. One source (late-1990s figures) indicates that public agricultural institutions employ a total of about 500 thousand people, or 12% of all government employees (Rivera et al. 1997).

export production standards embodied in GAP (Good Agricultural Practices)⁵. Seven agents received training in potato cultivation in 2001, and now work for the Horticultural Cooperative of Ismaileya. In addition, the Cooperative has selected ten young agricultural engineering graduates to receive training in post-harvest handling. They will then work for a private HEIA packinghouse to handle sorting, grading, packing, and transport that APRP has helped to establish in Ismaileya, for which the governorate is donating land and start-up funding⁶. In addition, the governorate extension service plans to assign ten of its extension agents to the facility.

Following the successful start-up of the first research and extension pilot in Ismaileya, the CAAE and ARC made preparations to expand pilot testing to other governorates, starting with Luxor and Qena in late 2000 with a planning workshop in Cairo and local workshops in early 2001. Ten extension agents from the two governorates were selected for a first round of HEIA training, with an additional 60 nominated for subsequent courses. Training has been delayed due to funding constraints, but HEIA, with APRP support, has undertaken a farmer-to-farmer observation tour of grape farms, and worked on grower-exporter contracts for cantaloupes, with experimental trials on grapes, cherry tomatoes, onions, garlic, green beans, and peppers.

In mid-2001 APRP facilitated planning workshops for pilots in two more governorates: Giza and Beni Suef. As in the other pilots, the approach is to create a team of extension agents specialized in horticulture, to be trained by HEIA. In Giza, the first round of training sessions was held in September and focused on GAP requirements. Follow-up training is planned for 2002. In Beni Suef, where aromatics are the export crop with the highest potential, HEIA is planning GAP training as well, with 20 agents lined up for sessions. In December 2001, the most recent pilot, in the governorate of Beheira, started with a preliminary planning session, sponsored by APRP, to clarify expectations among growers, cooperatives, exporters, and the local extension service.⁷

Another recent APRP-supported activity that has assisted the pilot governorates is the farm budget surveys and crop forecasting conducted by the MALR's Economic Affairs Sector (see Section IV.B below). This information will help farmers to identify the best cropping patterns for their fields, and will be used by extension agents to offer advice on crop rotations.

2.2.2 Assessment

Shifting roles and building public-private partnerships for research and extension constitute significant institutional change, which takes much effort and cooperation to bring about. Many of the problems facing Egypt's agricultural research and extension system are classic ones found in many systems throughout the world, such as, for example, weak feedback loops between researchers and farmers, budget pressures necessitating a search for alternative funding

⁵ USAID's Agricultural Technology Utilization and Transfer (ATUT) program is also supporting extension agent training in Ismaileya, focusing on post-harvest procedures for strawberries and green beans.

⁶ APRP conducted the feasibility study for the packinghouse, and helped to broker the combination of public and private resources that are supporting its creation.

⁷ See Dale (2001a, 2001b) for details on all the pilot tests of research and extension system reforms, and APRP's support activities.

arrangements, and the challenge of keeping extension agents' knowledge base current (see, for example, Bingen and Brinkerhoff 2000). System-wide reform is a long-term endeavor, and the approach taken by the MALR—supported closely by APRP—of starting with a new policy framework, developing a phased implementation plan through pilots, and planning for incremental expansion has been effective in making progress with reform. It is clear that APRP benchmarks encouraged the Government to proceed along the path to reform, and to push the research and extension system toward responsiveness to end-users and partnering with the private sector. APRP technical assistance contributed both to policy analysis and implementation. Regarding the latter, a key aspect of implementation has been the process side: bringing public and private stakeholders together, building consensus, and fostering trust and cooperation. As with cotton pest management, APRP's process role as a facilitator and a neutral broker has been essential to fostering new interaction patterns, resolving conflicts, and keeping reform on track. In some cases, maintaining neutrality has been difficult, particularly when APRP has sought to encourage contract-farming arrangements between producers and exporters, leading to accusations of favoring one side or the other (see Dale 2001b).

The team's interviews in Cairo and Ismaileya confirmed that the extension service's focus on export horticulture and the increased delegation of extension functions to the private sector are beginning to show results. APRP's support to the pilot effort has led to improved cooperation among the Government extension service, cooperatives, farmers, and exporters. Extension agents have helped farmers to contract with exporters, leading to increased exports of potatoes and green beans. The horticulture cooperative has helped to mediate contract disputes, and brings farmers together to obtain technical information from both public and private extension agents.

Government extension agents have gotten part-time contracts to work for private producers, with their remuneration tied to performance. Of these extension agents, some have left the public extension service in favor of full-time contract employment with cooperatives or individual producers. These new institutional arrangements are having an effect on the quality of extension services. For example, an Ismaileya exporter of peppers, cucumbers, and green beans, who employs eight extension agents, said that,

The agricultural extension agents working for us are more innovative, they seek out new cost-cutting measures and production techniques, they maintain equipment, and develop new equipment too. I depend on my team of agents. When they were in the public sector, they simply implemented directives they received from the MALR. We also get market information from extension agents, plus the information from the MALR extension office in Cairo [CAAE] is helpful. This supplements the information I get directly from attending exhibitions and trade fairs in Egypt and Europe.

Regarding increasing the skills of extension agents, the reform has been impeded somewhat by delays in funding to support HEIA's delivery of the planned training programs. Nonetheless, the establishment of subject matter specialists for export crops holds the potential for more efficient and targeted extension services, particularly when coupled with improved availability of market information. In Ismaileya, where the pilot has the longest history, the head of the governorate-level MALR extension office reported that farmers come to his office to request services much more than they did in the past, and he considers this a measure of success. His agents work

mainly with small farmers, while large exporters are in a better position to hire their own private extension agents.

Since 1998, the value of Egyptian horticulture exports has tripled (RDI 2001b, see also World Bank 2001). As the number of pilots expands and as the reforms of the research and extension system eventually cover the entire country, larger impacts can be anticipated. It should be noted, however, that there are other factors outside of better extension that can mute these impacts: for example, high transportation costs, regulation and bureaucratic red tape, weak transportation infrastructure, surplus production and low prices, etc.⁸. Further, issues of access, cost, and ability-to-pay emerge. In remote areas of the governorates in Upper Egypt, an APRP/MVE sample survey indicates that extension agents do not regularly reach small farmers, suggesting an access gap. On the cost side, the larger private firms are better able to pay for horticulture extension services, and the big agribusiness firms operating in the New Lands hire their own extension agents. However, the MALR cannot assume that farmers growing field crops in the delta will be able to do likewise.

The MALR, CAAE, and ARC are aware of these issues, even if they do not immediately have solutions in mind for how to deal with them. Similar to the story of cotton pest management, the reform of Egypt's agricultural research and extension system is a work in progress. Although not as far along as cotton pest management, the steps forward to date in privatizing extension services, bringing private sector partners into the system, and making them more responsive to farmers are encouraging. By all accounts, APRP has contributed importantly to the progress achieved, as well as helped to establish a process through which further progress can be anticipated for the future.

2.2.3 Airport Cold Storage

The establishment of a cold storage facility at the Cairo Airport for use by Egyptian horticultural exporters illustrates a case where a combination of private-sector lobbying and APRP technical assistance moved the Government to delegate an important function for horticulture exports to the private sector. The successful drive to expand exports is critical to the future of Egypt's agriculture economy. Horticulture exports offer the greatest potential rate of volume and value growth of all agricultural commodities. However, the potential can be achieved only by improving overall quality of exported product. The lack of a complete cold chain from the farm packing shed to the aircraft hold contributes to product losses and quality degradation, particularly in the summer, as horticulture products must be handled and stored in areas lacking climate control. The existing cold storage inside the Customs area at the Cairo Airport was small, antiquated and poorly managed. Horticultural exporters coped by using the relatively modern but small private cold stores at the International Export Center (IEC) at the airport, or by shipping cargo via passenger aircraft departing early in the morning when temperatures are

⁸ Transportation issues were mentioned during the team's interviews in Ismaileya. These and the other factors also emerged in interviews conducted for the APRP/MVE impact study of horticultural exports, and interviewees cited them as diminishing or nullifying in some cases the impacts of APRP policy changes.

lower. These were not ideal solutions. The IEC is outside the Customs area and far from where produce must be taken for loading, so some amount of open-air exposure was unavoidable. Early morning flights worked well for some exporters, but cargo capacities are limited on passenger flights, so expanded shipping volumes cannot be accommodated.

A 1998 APRP study on the regulatory and policy issues affecting the horticulture subsector identified the cold chain problem as a critical constraint, and recommended the construction and operation of private-sector cold stores within the Customs area at all Egyptian international airports, starting with Cairo. APRP assisted HEIA's Transportation Policy Advocacy Task Force to identify issues of central importance to its members. Lack of airport cold storage and adequate cargo space for perishables emerged from the task force sessions as the two critical constraints. Subsequent discussions with exporters, cargo and passenger airlines serving Cairo, and the largest air freight-forwarding company, detailed the costs of the current situation and reinforced the need for improved and privately-run facilities. HEIA prepared a proposal for presentation to the Cairo Airport Authority (CAA).⁹

The CAA, the Government agency with administrative authority over the existing public cold stores, indicated its support for the idea and suggested a build-operate-transfer (BOT) partnership. A contract was let to HEIA and the Government budgeted an allocation of LE6 million to the project. However, the Ministry of Finance considered that it was not legal to contract with a non-governmental entity to operate on government property. The first contract and then a second one were abrogated, leading to a six to eight month delay while the various parties discussed their differences. ACC and HEIA held a media conference after the cancellation of the first contract to put pressure on the Government and to say publicly how important the facility will be to the export industry. In November 2000 a third contract was signed for a 15-year BOT arrangement, but this contract replaced HEIA with the General Organization for Export and Import Control (GOEIC) as the owner entity, and gave HEIA a management contract to operate the facility. HEIA signed a contract with a general contractor in January 2002 and construction began. It issued a request for proposals for the cold storage equipment and expects, as of this writing, to sign a contract soon. HEIA anticipates that the facility will be open for business at the end of June 2002, though some observers think the opening date may be delayed until the fall.

There continues to be some wrangling over financing. According to the association's executive director, APRP helped HEIA to obtain some loans to supplement the Government's original LE6 million contribution. HEIA would like to subsidize operating costs of the facility so as not to exclude small exporters. The association received written promises from the Prime Minister for a LE2 million grant from the Arab Fund and LE12 million from the Export Support Fund, but the Ministry of Finance has not released the funds, employing the same argument as before, that government funds should be spend by a public entity, not an NGO.

2.2.4 Assessment

The establishment of the Cairo airport cold storage facility was cited by many of the team's interviewees as a success story, both of delegation of functions by the Government to the private sector, leading to a collaborative partnership, and of APRP assistance. It is a case where the

⁹ APRP provided analytic support. See the details in Humpal (1999).

private sector, mainly HEIA and the ACC, mobilized their membership and successfully lobbied the Government to relieve a key constraint to horticulture exports. While some government actors were, and remain, uncomfortable with HEIA's role in managing the facility, nonetheless the forces for change have moved the partnership forward. APRP helped with the initial pre-feasibility study, and then supported HEIA and ACC in their lobbying efforts when delays were encountered.

It is too early to assess impacts on reduction of postharvest losses, increases in export volume and quality, and increases in producer incomes. However, according to our interviews, such benefits are likely to be achieved. Potentially problematic is the question of facility use fees. The APRP benchmark specifies market-determined and competitive rates. There is some concern that GOEIC could interfere with HEIA, undercutting its ability to operate according to market principles. HEIA itself is seeking subsidies to keep fees down, which will also move the fee structure away from being competitively based.

2.3 Agricultural Cooperatives and Cotton Marketing

The increased role of agricultural cooperatives in cotton marketing is a clear illustration of government delegation of functions to the private sector. The delegation is not complete; currently there is a mixed public-private system for cotton sales. Before liberalization in the 1960s through the 1980s, agricultural cooperatives of various types were conduits of government control, influencing producers' collective cropping pattern decisions and mobilizing the assembly of harvested crops from producers. Most of the cooperatives were multi-purpose cooperatives that provided crop production loans in cash or in kind to producers in their zones. Specialized cooperatives served as umbrella organizations that coordinated the purchasing of major crops, such as cotton, wheat, and rice. They worked through the multi-purpose cooperatives to buy the major field crops from their growers. While the role of the multi-purpose cooperatives has been changing and is being redefined, specialized cooperatives continued to operate after cotton liberalization began, though their market shares have fluctuated from 1994/95 to the present.

The specialized cooperatives collected the entire seed cotton crop through the 1993/94 marketing season. With liberalization in 1994/95, this began to change. The cooperatives retained a large share of the seed cotton market in 1994/95, but their share dropped off sharply in 1996/97, at which point only the Agrarian Reform and Land Reclamation Cooperatives assembled seed cotton from their captive growers. The multipurpose cooperatives, managed by the umbrella Cotton Producers' Marketing Cooperative, ceased buying seed cotton in 1996/97, a year of very high minimum producer prices (set above lint equivalent world prices) when both the cooperatives and the private sector traders were forced out of the market. After two years of a liberalized cotton market (1994/95 and 1995/96), both the private trade and the cotton marketing cooperatives exited the business in 1996/97. This was not based on any single deliberate policy decision. Rather, it was an unfortunate and unanticipated consequence of rigid price policy decisions that seemingly could not be reversed during the course of that marketing season¹⁰.

¹⁰ H.E. Minister Youssef Wally had publicly declared, before planting in spring 1996, that seed cotton prices would be maintained at the very high levels of the 1995/96 marketing season. World prices then plummeted in the first half of 1996, leaving domestic seed cotton prices at levels well above world lint equivalent prices.

In a development that represented a rethinking of the role of the multipurpose cooperatives, however, field crop cooperatives at the governorate level began to register officially as private-sector cotton traders. The General Agricultural Cooperative for Cotton Producers registered first in 1994 and was followed by 13 regional field crop cooperatives in 1995 and 1996. As registered traders, these cooperatives could, along with private traders and various public sector trading, ginning and spinning companies, apply for and receive sales rings operated under the Principal Bank for Development and Agricultural Credit (PBDAC). During the past three marketing seasons (1999/00 through 2001/02), however, these cooperatives did not apply for PBDAC sales rings, opting instead to establish their own private buying centers at village-level collection centers (752 in 2001/02).

These cooperatives bought 665,000 seed kentars in 2001/02 for a market share of 12.6%, up from 256,000 in 1999/00 (6.5%) and 291,000 (8.4%) in 2000/01. Typically, these field crop marketing cooperatives pay producers a premium of LE 3-10 per seed kantar for selling their seed cotton at a cooperative collection center. These centers offer a competitive alternative to the PBDAC ring system of 815 sales points, where public sector buyers and some private sector buyers offer only the official prices. Farmers have also been permitted to sell their seed cotton to private buyers outside the PBDAC ring system¹¹.

¹¹ In 2001/02, 345,865 seed kentars, or 6.6% of the cotton crop, were bought outside these rings by private traders. For farmers, selling to private buyers has several appealing features. Private buyers may offer premia, particularly for cotton varieties in high export demand during some years; they offer the further advantage of quick payment (albeit at prices below official prices), relative to the PBDAC ring system. Another reason is that neither private traders nor field crop marketing cooperatives deduct money from cotton payments for PBDAC production loans.

At this point the cooperatives buy and sell seed cotton only¹². They do not deliver seed cotton to gins for ginning on their account, which would allow them to earn extra revenue from sale of cotton lint (to exporters and domestic spinners) and of cottonseed to domestic oil processors, both public and private. Large private traders (who work primarily with the field crop marketing coops) and public sector trading companies (who work with the agrarian reform and land reclamation coops) provide about half of the needed finance to buy seed cotton and collect the seed cotton from the coops once it is assembled. The cooperatives offer a valuable crop assembly function to large cotton trading companies, who lack the resources to assemble seed cotton at a myriad of buying points throughout Egypt. The highly decentralized cooperative buying network allows the large trading companies, particularly the private sector ones without large numbers of employees and rural collection centers, to specialize in trading lint cotton. The coops are effectively using their significant decentralized buying infrastructure.

The agrarian reform and land reclamation cooperatives continue to play an important role. Their market shares remained roughly constant in 2000/01 and 2001/02 at slightly over 20%. Buying at many collection centers (525 for agrarian reform and 135 for land reclamation), these cooperatives also offer modest premia to their growers to capture their seed cotton (77% of what their growers produced in 2000/01) and prevent sales to third parties, typically private traders. Nevertheless, they operate more as public sector entities, reportedly dictating their farmers' cropping patterns. Whereas their producers were forced to sell through agrarian reform and land reclamation cooperative collection centers before 2000/01, producers now may sell to private buyers.

As of the end of the 2001/02 cotton marketing season, seed cotton marketing is a hybrid public-private system with considerable government intervention in pricing and allocation decisions. Nevertheless, private-sector participation, including the field crop marketing cooperatives, has increased over the past several years. Most seed cotton is still bought through the PBDAC rings or by the Horticultural Services Unit—59.9% of the crop in 2000/01 and 56.8% in 2001/02. But the total cooperatives' share, for all three types of cooperatives, had increased to 33.2% of the seed cotton crop by 2001/02, up from 20.2% in 2000/01 (and 27.1% in 1999/00). In addition, 37.9% of total coop purchases were by field crop cooperatives, which now operate more like private businesses (along the western cooperative model) than government-controlled cooperatives (that operate in the old command-and-control style). Strong, competitive participation in the emerging liberalized cotton market is one way in which cooperatives, once regarded by farmers as organs of state control, can play a positive role in the Egyptian agricultural economy. By providing functions such as crop assembly in an efficient, low-cost manner that benefits farmers (with higher prices), the cooperatives will be well on their way to behaving more like private businesses.

2.3.1 Assessment

APRP support to the Government's delegation of cotton marketing to the private sector has built on its predecessor program. APCP contributed to the series of decrees designed to put in place the legal and regulatory framework for liberalizing seed cotton marketing. Three Presidential

¹² Although the Agrarian Reform Cooperatives and the Cotton Producers' Marketing Cooperative Organization (the specialized cooperative working through the Field Crop Cooperatives) plan to gin seed cotton in the future and perhaps register as exporters with ALCOTEXA.

decrees (Nos. 210, 141, 211 of 1994) liberalized the domestic cotton trade, established a spot market at Mina El Bassal, and established a Cotton Exporters' Union. These decrees were ratified by the People's Assembly in May and June of 1994 and became law. The Ministry of Economy and Foreign Trade issued three decrees in August 1994 that established committees that would begin to implement the three laws. Three additional decrees provided the by-laws to implement the Presidential decrees. Following the issuance of these decrees and passage of the three laws, a domestic cotton traders' committee was also created, which registered companies as legal cotton trading entities, beginning with the 1994/95 marketing season (the first season during which private traders were permitted to buy and sell seed cotton).

Following APCP, APRP focused heavily in Tranche I on completing the policy reform agenda for cotton¹³. A series of benchmarks were designed to allow "eligible private entities" to register as cotton traders, to freely trade cotton, to gin cotton on equal terms with public enterprises, and to export lint without restrictions. During the first tranche, private firms were expected to participate in cotton marketing, but high minimum producer seed cotton prices in the 1996/97 cotton-marketing season forced private buyers out of the market. Nevertheless, most of the cotton benchmarks were accomplished or partially accomplished, as the Government had indeed put in place a legal and regulatory framework permitting private participation in cotton trading. Unfortunately, punitive price policies limited the extent of private-sector buying of seed cotton, although private traders did export lint.

In 1997, APRP cotton and agribusiness experts undertook eight studies of various aspects of cotton marketing, analyzing for, example, pricing decisions and their impacts, phytosanitary regulations, import tariff issues, and international markets for cotton. These studies informed the negotiations for benchmarks in Tranches II and III, which were designed to keep the pressure on the Government to further liberalize cotton marketing. In Tranche II (1997-98 marketing season), the Government was tasked with "ensuring that private traders were able to buy cotton from farmers at freely negotiated prices and that traders were able to participate in the cotton trade." A Tranche III benchmark called for taking "further steps toward a competitive free market for cotton to ensure that private sector traders are able to buy and sell seed cotton." These benchmarks were judged accomplished, though the degree of accomplishment was not always entirely satisfactory. APRP continued to emphasize allowing private traders to participate freely in cotton marketing. Through additional studies, seminars, workshops, and informal policy dialogue APRP encouraged the Government to make incremental changes in policies and regulations that generally moved liberalization forward. The seed cotton marketing system remains rather highly regulated, but both the principle and the fact of private sector participation (whether private trader or cooperative) in seed cotton buying are well established. At this point, there is no turning back to a command-and-control marketing system monopolized by public trading companies.

APRP deserves a good deal of the credit for continued liberalization of the cotton marketing system. Currently, the private sector is in a position to exert pressure of its own to keep the Government on track. In the 2000/01 marketing season the private traders and field crop

¹³ Many of the cotton-related benchmarks in Tranche I of APRP were carried over from Tranche VII of APCP, because they had not been fully achieved during the 1994/95 and 1995/96 marketing seasons. APCP also had a series of benchmarks designed to increase producer cotton prices (from very low levels to levels approaching border prices).

marketing cooperatives protested a series of arbitrary actions by the Cotton Supervisory Committee, which implements the annual inter-Ministerial cotton marketing decree. Their well-placed objections in August and September 2000 prevented the Cotton Supervisory Committee from prohibiting buying outside PBDAC sales rings. Section V below provides more details on this example of private-sector policy dialogue.

A final important policy step in Tranche V (January-December 2001) was a benchmark that reaffirmed the right of private traders and cooperatives to set up private cotton buying centers and ensured that they would receive CATGO grading services. This benchmark was achieved during the 2001/02 cotton marketing season, as private and cooperative buyers obtained timely grading and weighing services, required prior to ginning.

In conclusion, APRP, often working in cooperation with CSPP, has played key policy design, technical analysis, and advocacy roles in support of liberalization of seed cotton marketing since 1996/97. The Egyptian government has responded by steadily improving the policy and regulatory framework and implementing rules that permit active private trade. Government price-setting at PBDAC sales rings and of lint cotton sold by public traders to spinners has the potential to restrict private sector participation during some years, but overall the private sector has become stronger, more vocal, and more active in cotton marketing. A sign of this growing strength is that the Alexandria Cotton Exporters' Association (ALCOTEXA) has changed from an organization run indirectly through the powerful Minister of Trade and Supply via its leader, the chairman of the public-sector cotton trading companies, to an organization run by private cotton exporters.

3. CAPACITY-BUILDING OF THE PRIVATE SECTOR

As the public sector delegates more to the private sector, private actors need the capacity to take on new functions and responsibilities successfully. Sufficient and appropriate capacity is important for success not simply in the near-term, but for expansion of the private sector's role into other functions as well. Governments are often mistrustful of private-sector actors' abilities to carry out new functions. This dynamic is illustrated in the example of cotton pest management, where, because cotton is such a strategic crop, the Government was concerned that farmers and private pesticide companies could not be trusted to handle dangerous chemicals safely and responsibly, even though they do so for other crops. APRP has been instrumental in addressing both the capacity and the trust issues with cotton pest management. APRP's work with agricultural cooperatives regarding capacity focuses on how the cooperatives' governance arrangements are structured and how these influence the cooperatives' ability to operate as autonomous economic actors for the benefit of their members. Trade associations are critical institutions for developing the capacity of the private sector to access and share relevant technical and market information, promote and market their products, identify and aggregate mutual interests, and engage in policy advocacy. APRP has been instrumental in assisting a number of agricultural trade associations to increase their capacity.

3.1 Cotton Pest Management

As the previous section discussed, one of the Government's concerns in delegating cotton pest management to the private sector was that farmers, cooperatives, and pesticide firms lacked the capacity to conduct pest management safely and effectively. APRP, in close cooperation with the GTZ-funded CSPP, has provided capacity-building support in two areas: public awareness and technical skills training.

In 1998, APRP in cooperation with CSPP, in support of the Government's efforts to achieve the benchmark (Tranche II, C9) on defining the respective roles of the public and private sectors, conducted ten workshops in Cairo on pesticide management liberalization for both public and private-sector actors, which raised the issue of private sector capacity to assume responsibility for pest management. Two years later in 2000, APRP and CSPP facilitated eight workshops in Cairo between April and November on public awareness, the roles of the public and private sectors, and registration and certification. Members of EATSAP (Egyptian Association of Traders in Seeds and Pesticides), the pesticide association representing seed and pesticide dealers, and Crop Life Egypt, made up of agrochemical producers, attended the workshops, along with government officials from both the agriculture and health sectors. Another series of public awareness workshops for EATSAP were conducted the following year (2001) in Assuit, Tanta, Alexandria, Mansoura and Zagazig. These took place between February and June, with a total of 277 participants. The workshops reinforced the need for responsible sale and handling of pesticides, and introduced plans for certification and training of dealers. APRP and CSPP also helped EATSAP to prepare a brochure presenting its mission and objectives, and to produce the first two issues of its newsletter for members.

Following up on the awareness campaign, APRP and CSPP developed and are delivering a Pesticide Dealers and Applicators Certification and Licensing Program both for EATSAP Crop Life Egypt. Previously these two associations had an adversarial relationship, and APRP has

helped them to work together. The certification program aims to: a) improve the standards of dealer knowledge and skills; b) ensure that pesticides are transported, stored, handled, and used safely and effectively; c) provide improved service to farmers who use pesticides; and d) improve the Government's perception of dealers (see Joyce 2001). This program is not limited to cotton pesticides, but targets dealers of all pesticides throughout the country¹⁴.

During the summer of 2001, APRP and CSPP worked with the two associations to prepare technical training manuals for dealers and for trainers, design the training course, and identify trainers. One training of trainers workshop was held in Cairo for 25 trainers plus eight board members from the two associations in November, and another in Assuit, also with 25 participants, that same month. A second follow-up training of trainers was held in Assuit in January 2002 for 24 participants, some of whom had attended the earlier session. From these sessions, which included pesticide dealers and distributors from throughout Upper and Lower Egypt, the two associations identified potential trainers. Twenty of these, ten each from Lower and Upper Egypt, were subsequently selected to deliver a pilot version of the 30-hour dealer certification course in Mansoura (Lower Egypt) and Assuit (Upper Egypt). The five-day course in Mansoura was conducted in February 2002 for 15 pesticide dealers, and the Assuit five-day course was held in March 2002, also for 15 dealers. APRP and CSPP shared the costs of these two courses and will conduct one additional pilot in both Mansoura and Assuit using the same trainers. The two associations plan to conduct subsequent courses in Upper and Lower Egypt, drawing from the two pools of trainers. Further, Crop Life International has pledged funding support to the courses in Egypt, and has requested electronic copies of the technical manual and the ten-session training manual for use in their own international training programs.

At the same time that APRP and CSPP were building capacity among private-sector pesticide producers and dealers, they were also conducting an extensive set of workshops on pest management for farmers and cooperatives, as well as MALR staff at the central, governorate, and district levels. After planning and start-up workshops in Cairo, the rest of these took place in the pilot governorates of Daqahleya, Menufeya, Beheira, and Kafr El Sheikh. These workshops constituted a massive campaign to reach large numbers of farmers. In 2000, ten farmer awareness workshops were held, with a total participation of 910 farmers. In early 2001, expansion planning workshops in each governorate brought together a total of 465 cooperative members, farmer leaders, and MARL staff from all levels (central, governorate, village) along with APRP and CSPP facilitators. These led later in 2001 to 51 awareness workshops for a total of 1856 farmers. APRP and CSPP jointly produced a 20-minute video for viewing at the 51 village workshops, to assure that key messages were clear and consistent. Four review workshops at the end of the year, one in each governorate, assembled a total of 406 public and private-sector participants.

3.1.1 Assessment

It is clear that APRP has devoted a tremendous amount of effort to assisting the private sector to assume its role in cotton pest management effectively and to build trust on the part of

¹⁴ Besides the cotton pest management benchmarks, the program responds to APRP Tranche III Benchmark D7, which deals with the pesticide industry without specific reference to cotton.

government in its capacity. While interviewees note that there is still some degree of mistrust and tension between the MALR and private industry, much progress has been made. The private sector is aware of the need to curtail illicit and unsafe practices. For example, Crop Life Egypt has on its own initiative developed a code of conduct for its members. The certification and training program is being run as a private-sector initiative. Farmers and cooperatives are gaining the knowledge necessary for safe handling and application of pesticides, and this new knowledge should contribute to their ability to manage pest control independently and efficiently. APRP, working closely with CSPP, deserves much of the credit for helping the private sector to build pest management capacity.

3.2 Agricultural Cooperatives

Under Egypt's command-and-control economy during the 1960s and 70s, the formerly private and independent agricultural cooperatives became government-controlled entities whose main function was to transmit government instructions about planting, marketing, and credit. As a result, they lost credibility both with their members and with potential commercial partners. Since liberalization, beginning in the late 1980s, cooperatives started to move away from complete top-down government control toward working in partnership with their farmer members. Cooperatives, which are found throughout Egypt and have nearly universal membership, are the only private organizations with the potential reach and coverage to represent and protect farmers' interests. Cooperatives have entered into commercial contracts with private firms for the marketing of both inputs and their agricultural products. Joint ventures with cooperatives and private firm investments have been initiated in some cases. However, the quality of cooperatives across the country is uneven. Some cooperatives are well managed and profitable, and have, for example, begun investing in storage and processing facilities for their crops. Others are poorly run and do not serve their members well.¹⁵

One impediment to cooperatives' ability to function effectively, whether with government agencies such as extension, private firms, or other cooperatives, is a lack of full management autonomy. Despite some loosening of government control, two factors were identified by the MALR and APRP that constituted actual or potential government influence on, or intrusion in, the governance of cooperatives: a) the MALR may name one member to the board of directors of any cooperative; and b) the MALR assigns ministry technical staff to the cooperatives to manage particular activities, including profit-making ones, such as mechanization units or poultry farms. The Government-named board members are often members of local elites with a strong ability to influence cooperative policies and decisions. The presence of ministry staff filling managerial and technical roles, and with salaries paid by the ministry, also influences how cooperatives are operated.

APRP negotiated a Tranche V benchmark to provide management autonomy to multipurpose credit and specialized cooperatives on a pilot-test basis in selected governorates, and worked with the MALR to design a pilot program where multipurpose cooperatives will choose their own boards of directors without nominations from the MALR, and the Government-funded

¹⁵ APRP/RDI is currently conducting a study to analyze the factors associated with good and bad cooperatives.

resident technical specialists from the MALR will be withdrawn. As a result of APRP -facilitated workshops to address implementation of the benchmark, the ministry and the Central Authority for Cooperatives agreed to two pilot projects, to include two cooperatives in each of two governorates, Assuit and Daqhleya. The number of cooperatives per governorate was later expanded to four, for a total of eight pilot cooperatives. Further workshops in Cairo and the pilot governorates reinforced the rationale for cooperative autonomy to build support for the idea, developed performance criteria, and fleshed out the details for implementing the pilot reforms.

As of this writing, APRP/RDI has designed and is delivering a training program for the eight pilot cooperatives that targets board members, managers, and accountants. Separate start-up workshops with coop leaders and local officials were held in Daqahleya and Assuit in September and October 2001, followed by a joint workshop in Cairo in late November. The workshops aimed at emphasizing the importance of functional independence from government control, and defining the roles and responsibilities of board members and managers. Subsequent workshops are providing management skills to coop staff and planning for board member elections¹⁶. The plan is to finish the training by June 2002. Training sessions have begun at the governorate level and then move downward to the villages. The cooperatives in Daqahleya held elections in the fall of 2001 at the local, district, and governorate levels; there were no ministry nominations for any of these positions.

3.2.1 Assessment

The establishment of the independence of the agricultural cooperative movement in Egypt has been a policy objective of the Government and many donors for several years. APRP's Tranche I included a benchmark that called for a new Cooperative Law from the Peoples' Assembly, which was drafted and submitted, but has not yet passed. However, most essential reforms can be, and have been, undertaken by ministerial decrees under existing law. For example, the pilot reforms were formalized through memorandums of understanding signed jointly by H.E. Minister Wally and cooperative officials. Thus despite the delays in the People's Assembly, progress toward reinforcing the economic, managerial, and financial independence of the multi-purpose and specialized cooperatives has been made. Interviewees report that the cooperatives are moving toward successfully completing the transition to profitable, well-managed, representative organizations that promote and protect the interests of their members. It is clear that APRP assistance has been central to the forward motion achieved on cooperative autonomy.

Some initial signs point to realizing the potential investment and income benefits anticipated from greater cooperative independence. With support from the MALR and from APRP, several Egyptian and foreign private companies have begun approaching multiple purpose and specialized cooperatives and investing together to increase and improve the quality of on-farm production and to install post-harvest handling infrastructure for sorting, packing, cooling, and transport to add value to their output (see MVE 2001a).

¹⁶ See Dale (2001) for more details.

3.3 Trade Associations

The history of independent and effective trade associations in Egypt is relatively short. As is true of many countries where the state dominated the economy, Egyptian private-sector actors tended to negotiate with government officials as individuals, relying on personal connections to exercise influence. However, with economic liberalization, two factors created incentives for the private sector to form associations: a) in the global export economy, the costs of doing business through individual deal-making proved detrimental to competitiveness, and b) as more firms entered the market, the private sector began to see the potential power of numbers in organizing to interact with government, obtain market information, and so on. Starting in the mid-to-late 1990s, a number of agricultural trade associations emerged, among them HEIA, the Egyptian Seed Association (ESAS), and the Egyptian Agribusiness Association¹⁷. These three are registered NGOs. Most of the country's medium to large-scale agribusiness firms and entrepreneurs have joined one or more associations.

Capacity-building for trade associations involves the right kind of organization and skills, appropriate and conducive venues and forums to interact with a range of stakeholders, both public and private, and sufficient resources to carry out activities and achieve results. APRP targeted all three of these features related to capacity-building for associations.

APRP support to ESAS is illustrative of the first type of capacity-building. ESAS was founded in March 1998 by a prominent agribusiness entrepreneur and several of his colleagues. The association is a registered NGO whose purpose, as stated in the enabling decree, is to represent the common interests of private-sector seed producers and traders with the goal of creating "a liberalized and integrated seed industry conducive to private investment for the benefit of Egyptian farmers, exports and agriculture." Confronted with the problem of determining what it should do to achieve this goal, ESAS turned to APRP for assistance. As the executive director remarked when interviewed, "at the beginning people didn't have a clue what ESAS should do." Through a series of collaborative studies and workshops, APRP helped ESAS to: a) analyze the regulatory framework and assess policy constraints; b) develop a mission statement, a vision, a strategic plan, and action steps to carry it out, and c) assess options for financial sustainability (see Delouche 1998, Humpal 1998). Among the objectives in the plan was the establishment of a code of ethics for the industry, and APRP helped with both the process of consulting with members and other stakeholders through workshops and informal consultations, and with the technical content of the code (see Gisselquist et al. 1999). Other objectives focused on the legal and regulatory framework and on establishing partnerships with the Government on seed-related issues. Pursuit of these objectives led ESAS to concentrate on policy advocacy, and again APRP provided assistance. These efforts helped to increase ESAS capacity to participate effectively in policy dialogue with the Government and to win some important policy victories. These are discussed in Section V below.

Related to supportive forums and venues for interaction with stakeholders, the various trade associations and unions realized that their interests could be more effectively advanced through

¹⁷ HEIA was established as a result of another USAID-funded project, the ATUT. ESAS and EgAA have both received capacity-building support from APRP.

open and regular communication with the Government, giving them the opportunity to influence decision-making. However, there was no venue that allowed them to play this role in an organized, systematic and efficient manner. In response to some lobbying, in 1996 the Government issued a presidential decree authorizing the establishment of the Supreme Export Council. As the council's technical secretariat, the Ministry of Trade and Supply (MTS) issued a decree in December 1997 establishing Commodity Councils that report to the Supreme Council. Among those created was the Agricultural Commodity Council (ACC). The ACC was intended to serve as a cross-sectoral association that provides a venue for dialogue and discussion both among its private sector members and between them and government. During the following year, little progress transpired in making the ACC or any of the other councils operational, in part because the ministerial decree was not clear about the role of the councils, who could be members, how they would be selected, etc.

APRP staff and their Egyptian counterparts recognized that for the ACC to have the capacity to serve as an effective cross-sectoral venue for dialogue, selection of representatives to serve on the council should not be up to the Government, as was the case in the 1997 decree. APRP's Tranche IV included a benchmark to ensure that private-sector representatives of the various commodity committees of the ACC are chosen from private industry¹⁸. Discussion of this benchmark started in January 1999 with the MTS, which subsequently approved it. In May 1999, APRP proposed a policy framework and related legal package that included a ministerial decree defining the roles, responsibilities, membership, funding, etc. for the Horticultural Advisory Council and a law to establish industry unions. These proposals were developed via a series of consultative meetings with key private-sector horticulture producers and exporters, specifically those involved in ornamental and medicinal plants, fresh fruits and vegetables, cut flowers, and pot plants.

In late 1999, APRP provided capacity-building assistance to the ACC similar to that for ESAS. Consultants helped the council, through a series of workshops and focus groups, to develop mission and vision statements, prepare an action plan, and agree upon a set of roles and responsibilities for core council functions (see Gormley and Khattab 1999). APRP also conducted a review of export and commodity councils in other countries to give ACC members some ideas on what they could do and how they could organize (see McCoy 2000). APRP has continued to support ACC capacity-building through organizing workshops, undertaking studies, and serving as a neutral facilitator for dialogue, particularly as the ACC has become active in policy dialogue (see Section V below).

The third feature of trade association capacity concerns resources. This does not mean simply the resources necessary to maintain membership services and regular operations. In most industrialized countries, export-oriented trade associations have access to public funds to pursue promotional activities abroad. APRP discussed such funding with the Ministry of Foreign Trade

¹⁸ Government practice was to name individuals as ACC members, with a mention of their firm affiliations in the nominating decree, with an implicit understanding of which associations they would represent. The APRP benchmark sought to replace individuals with associations in the decree; then it would be up to the association members to select the individual to represent them.

and developed two Tranche V benchmarks to direct government funds to support private sector-led export promotion activities (D3 and D6). Under Benchmark D3, the MFT provided support to the development and promotion of the Egyptian cotton logo in order to increase demand for Egypt's extra long staple cottons. The MFT worked with the Alexandria Cotton Exporters Association (ALCOTEXA) on developing the logo, and designated the association as the organization to certify its use on exports. Regarding Benchmark D6, a Ministerial Decree, No. 910/2001, was issued in December 2001 directing the Foreign Trade Sector of the MFT to provide funds to Commodity Councils for purposes of export promotion. At the time of the team's interviews with associations in January 2002, the Government had not yet begun to provide funding for promotion activities by trade associations.

3.3.1 Assessment

Trade associations and the ACC have achieved a remarkable degree of capacity for such relatively young entities. They have established solid organizational structures and become adept at policy analysis, constituency-building, and advocacy. The ACC has begun to prove itself to be a useful forum within which to ensure an effective private-sector voice in public policy dialogue. One contributing factor to their rapid advancement is that the leadership of both the trade associations and the ACC constitutes some of the wealthiest and most capable people in Egypt, with high levels of skills and sophistication, plus strong connections to government elites. Our interviews confirmed nearly unanimously, though, that APRP's assistance was critical to success on both technical and process sides, particularly in helping to coalesce talented individuals into effective teams that could reach consensus, develop plans, mobilize resources, and follow through to achieve results. One challenge for the future will be to extend the capacity created beyond the rich and powerful to draw in smaller actors. This expansion will help to increase the likelihood that trade associations embody broad representation of the private sector, which can encourage a wider distribution of economic benefits due to advocacy of interests that serve firms at all levels, not simply the largest producers and exporters.

As noted, the Government funded the development of the cotton logo, and APRP provided technical assistance in cooperation with GTZ, working with both the MFT and ALCOTEXA. Allocations of government funds to support association activities to promote exports appear not to have been initiated. However, interviews with staff of the MFT's Export Promotion Center indicate that the Government is supporting exporters with financial incentives through an equilibrium fund managed by GOIEC. The ACC is lobbying for more of such incentives, which are in essence subsidies for exports, not really support for export promotion.

4. CAPACITY-BUILDING OF THE PUBLIC SECTOR

As the Egyptian government moves toward a market-supporting model of governance away from a state-controlled one, the functions of providing a conducive regulatory framework and information emerge as key. Regulation and information are public goods that, along with contract enforcement and assurance of property rights, are among the basic building blocks of a liberalized market economy (World Bank 2002). In the context of agricultural policy in Egypt, providing these public goods is not so much a new role for the Government as it is the invigoration of an existing role that heretofore has been underfulfilled. APRP has worked closely with agriculture-sector government officials at all levels, from the central to the district and village, to strengthen their capacity for regulation and information provision, analysis, and dissemination.

As the previous sections have shown, the story of cotton pest management is one of intense collaboration between the public and private sectors as responsibility for pest control has been devolved to private actors. APRP, often in collaboration with CSPP, has helped to develop government capacity to work with the private sector and to rationalize the regulatory framework for pest management. Regarding statistical, economic, and trade information, APRP has worked with the MALR and the MFT to increase capacity in information collection, analysis, and dissemination so as to support more effectively private-sector actors' decision-making. Another information-related policy critical to Egyptian agriculture is matching water availability from the Nile River with farmers' irrigation needs. APRP, in collaboration with the Environmental Policy and Institutional Strengthening IQC team (EPIQ), has worked with the MALR and the MWRI on capacity to implement a new policy to deal with the problem of the "mismatch."

4.1 Cotton Pest Management

4.1.1 Analysis

With the delegation of pest management to the private sector, the Government's role is in the process of shifting from controller and primary decision-maker of pesticide use to a focus on regulation and licensing. Making this shift calls for an effective regulatory framework. The set of APRP benchmarks targeting cotton pest management focus on putting the conditions in place for this framework, beginning with Tranche I. As APRP helped the Government to move toward regulating and licensing private providers, the issue of capacity to perform this role effectively became critical. Developing this capacity has been complicated by the fact that the formulation of new regulations has not taken place on the proverbial "blank slate," but rather within the context of the current legal framework, which is full of conflicting regulations. Further, the enforcement side of regulation is inadequate to prevent abuses such as selling pesticides out the back of trucks, illegal disposal of expired pesticides, and so on.

Given the legacy of state control, an important element of building government capacity to take a more "hands-off" stance has been to promote dialogue between MALR officials, pesticide producers and service providers, and farmers, while at the same time creating more understanding of the new role among government staff. Facilitating participatory interaction patterns among the actors involved is critical both to devising appropriate regulations and to

achieving compliance¹⁹. To create these patterns, APRP's capacity-building with the public sector took place in close collaboration with the private sector. The intensive multi-year program of workshops and consultation meetings overviewed in Section III above included public-sector actors in almost every case, beginning with the ten workshops held in Cairo in 1998 to initiate the planning for the new pest management strategy mandated by the MARL Decree No. 663 and Tranche II, Benchmark C9. Thus, public and private-sector capacity-building activities supported by APRP were, for the most part, joint undertakings

Three large workshops in 2000 (April, June, October), organized by the MALR's Central Laboratory for Pesticide Residues and facilitated by APRP and CSPP, constituted an important step forward in mutual public-private capacity-building by assembling a broad group of stakeholders to discuss problems and solutions. By the end of 2000, registration procedures were developed and the plans for the pilot programs in four governorates were well underway (Dakhaleya, Menofeya, Behira, and Kafr El Sheikh). The workshops held in 2001 in each of the governorates, with APRP and CSPP assistance, brought public-sector capacity-building to the governorate and district levels.

4.1.2 Assessment

As noted above in Section III, APRP in cooperation with GTZ's CSPP, has devoted intensive effort to awareness creation, strategic planning, training, and implementation for cotton pest management. MALR officials interviewed readily acknowledged the contribution of APRP to making progress on pesticide regulation and licensing. These perspectives were echoed in the team's interviews with private-sector actors, who noted a new willingness in the MALR to see the private sector as a partner in pest management.

These positive impacts notwithstanding, some problems with enforcement capacity were raised. One pesticide dealer interviewed cited harassment, abuse of regulations and petty corruption on the part of the police. He mentioned that there is a special unit in the police, under the Ministry of the Interior, that confiscates traders' goods and takes them to MALR labs for testing. This unit knows nothing about the technical aspects of pesticides. Even when dealers have valid certificates for their products, the police on occasion confiscate them. It takes lawyers and pursuit of court cases to recover the goods. Despite dealer complaints to the MALR about these problems, they still take place. The team was not in a position to confirm directly the accuracy or scope of these problems as described, but based on other country experience, it is highly likely that such enforcement issues exist in Egypt. In many countries, enforcement of regulations is prime territory for rent-seeking. Effective regulatory capacity requires knowledge, consensus, and transparency regarding what the rules are, controls and accountability applied to the regulators, and an informed and impartial judiciary to handle disputes. APRP has effectively support the first of these, but the latter two lie beyond the program's purview.

4.2 Statistical, Economic, and Trade Information

¹⁹ This approach to regulatory development is official government policy in the United States, and is referred to as negotiated rulemaking. The Negotiated Rulemaking Act was passed by the Congress in 1990. The Department of Labor, the Environmental Protection Agency, and the Department of the Interior frequently develop regulations in consultation with stakeholders. See Spector (1999).

When the Government made the decisions about what crops to plant and when, and which commodities to export and where, collecting, analyzing, and disseminating agricultural, market, and trade information were not priority activities. Under central planning, public sector firms conducted much of the country's agricultural sector business. Information needs were internal to the public sector, between state-owned enterprises and the ministries that managed them. With liberalization, however, to effectively support the private sector, the Government needs to strengthen its information capacities and reach beyond its internal boundaries. This also calls for different kinds of information, for example, current and forecast price information of use to farmers in making crop decisions.

4.2.1 Agricultural Statistics

Data collection and analysis capacity has been an important area of APRP assistance²⁰. These capacity-building interventions for agricultural statistics have focused on farm budgets (income and costs) and crop-yield forecasting for cotton and wheat. Concerning farm budgets, APRP worked with staff of the Economic Affairs Sector (EAS) on data collection and methodology. An APRP team conducted a study using an objective method for collecting farm income and cost of production data in two pilot governorates, Gharbeya and Assiut. Upon demonstration of the methodology and results of the pilot study, H.E. Minister Wally approved the collection of farm income data for the entire country. The initial pilot program of farm income data collection was expanded to eight governorates each in Upper and Lower Egypt (including New Lands in North Sinai) plus Luxor city. Questionnaires were designed, and data entry programs created. Samples were selected and the questionnaire pretested. APRP designed and conducted several training workshops for MALR technicians on data collection, multi-stage sampling, and national accounts data. These workshops introduced the new methodology, and built skills in sample design and selection, field data collection, as well as addressing enumerator training needs and introducing a farmer's notebook.

In the EAS all staff are trained in the methodology. This capacity includes ministry staff at the governorate and district levels, where APRP also did training. This avoids a potential monopolization of the information at the central level. APRP convinced senior MALR officials to install computers in some governorate offices to give them access to the database.

Data for the two pilot governorates plus seven other governorates have been published, each in a separate statistical report, by the EAS. Each report includes two parts: The first contains data tabulated at farm, village, and district levels, and the second has data at the governorate level. The data cover the agricultural seasons 1997/98 and 1998/99. The EAS established a database for farm budgets and income in the pilot governorates in Upper and Lower Egypt. EAS is now working on data collection in 15 governorates.

Concerning crop-yield forecasting, APRP capacity-building activities consisted of assisting with the development of a methodology, conducting demonstration studies, and then handing off to the MALR to apply the methodology and integrate it into the ministry's standard operating procedures for data collection and analysis. Together, MALR and APRP/MVE conducted cotton yield forecasting prior to the 1998/99 season, and subsequently did the same thing for wheat. For

²⁰ This area is the topic of a separate MVE impact assessment, which was available to the team in draft; see Ehrich (2001). This section draws on that report as well as the team's interviews.

the 2000/01 season, MALR field teams went out and collected the cotton and wheat data, and the ministry provided financial incentives for their staff to ensure that the work would be done, rather than relying on APRP per diem payments. Now the MALR staff are applying the methodology on their own, and can generate accurate and timely cotton and wheat forecasts.

4.2.2 Market and Trade Information

A key component of agriculture liberalization in Egypt is export promotion. The Government entered into a dialogue with the Commodity Councils and other business associations to discuss how best to promote exports and support the private sector (see Section V below). One support measure identified, and subsequently negotiated as an APRP benchmark (Tranche V, D4), is publishing and disseminating international trade agreements, bilateral and multilateral, and official trade data to interested stakeholders. The most important agreements for agricultural exports are those with the European Union (EU) and its members and Arab states and their organizations. Trade with some destinations such as China and Indonesia have, in the past, been constrained by the lack of bilateral agreements that spell out policies, sanitary and phytosanitary regulations, inspections, and so on. This kind of information can assist exporters in strategic business planning, investment decision-making, and identification of new markets. This information needs to be made available on a transparent basis – regularly, quickly and reliably to promote fair and well-informed competition.

The MFT, following consultations with the Commodity Councils, developed an export promotion strategy, and printed up booklets containing the draft strategy. These were distributed to the Councils in December 2001, who circulated them to exporters for comments. The MFT is currently collecting feedback to make revisions. The ministry publishes a monthly economic digest on its website with a variety of commodity and trade data. In addition, it has published in hard copy five trade agreements with Arab countries and several sections of EU agreements. These will also eventually be posted to the website. At the time of the team's interviews, the MFT was working on publishing the COMESA (Common Market for Eastern and Southern Africa) agreement and additional sections of the EU agreements.

APRP support to helping the MFT with information dissemination consisted of assistance in helping MFT's commercial attaches to become more effective in supporting Egyptian exporters. APRP planned and delivered a two-day strategic planning workshop for MFT staff in July 2000. APRP also worked with MFT and ALCOTEXA on a brochure for the Egyptian cotton logo.²¹

4.2.3 Assessment

APRP clearly has had an impact on the Government's information collection, analysis, and dissemination capacity. The strongest impacts appear to be in improving the quality of the information collected and in analysis. For example, in crop forecasting, the new data methodologies that APRP introduced to the MALR have led to better cotton and wheat data collection and forecasting of demand. Following APRP training, the MALR is now doing cotton

²¹ APRP undertook other efforts related to market and trade information in support of other benchmarks, but these efforts are not the focus of this study. See Ehrich (2001) for details.

and wheat forecasting on its own. Some interviewees reported that one result of the higher quality information is that the private sector trusts government estimates more than before, and is willing to contribute to data collection and dissemination. ALCOTEXA, for example, is putting cotton data on a web site that they developed with APRP assistance. Also, GTZ picked up and expanded the cotton and citrus methodologies developed by APRP.

On the farm budget information, APRP methodologies and related training have improved agricultural data quality. The methodology allowed information to come directly from farmers without injecting inconsistencies and bias through interpretation by enumerators. APRPs' public awareness booklet and video stimulated response to the survey from farmers. The new, more accurate farm income and cost figures have made a contribution to Egypt's national agricultural accounts by improving the capacity of the MALR to construct national accounts from farm budgets. This information is also intended for use by farmers in making choices about what to plant, and by policy-makers to track impacts of cropping decisions on farmer income. However, some in the ministry see the information as useful to tell farmers what their crop rotation alternatives should be, which is a misunderstanding of the use of these data.

Another impact is the emergence of a new, positive attitude in public agencies toward recognizing the public-good nature of information, and providing demand and marketing data in ways more useful to private sector. For example, with APRP help, the MALR issued two crop reports, winter and summer crops, rather than one annual report at the end of the year. This is more useful to producers due to reduced time lag. The team's interviews in the MFT revealed that that ministry has made a concerted effort to prepare trade-related information for publication and dissemination. MFT reports are now sent to the private sector, not just to other government agencies. It should be noted, though, that distribution is still relatively limited. Thus, while progress in building public sector information capacity has been made, there remains much room for improvement in outreach and dissemination, so that more private-sector actors can gain access to the information.

4.3 Water Supply and Use “Mismatch”

4.3.1 Analysis

In the days of state-controlled agriculture, the MWRI (then called the Ministry of Public Works and Water Resources) delivered water to farmers on the basis of cropping patterns and calendars determined by the MALR. Despite central controls, these plans were often inaccurate representations of the actual crops grown. With liberalization, beginning in the late 1980s, and farmers' discretionary ability to choose what to plant, the MALR's ability to predict cropping patterns and calendars declined further. Water releases from the Aswan Dam based on these plans resulted in significant “mismatch” between supply and need. In some cases, large amounts of water (sometimes millions of cubic meters) were delivered but not used, while at other times water was not available for crops when needed, causing a reduction in agricultural production. Relations between the MALR and the MWRI were acrimonious, each ministry blaming the other for the problem, and farmers complaining to the local offices of both agencies.

An important contributor to the “mismatch” problem was inadequate information capacity in and between the twoministries. There was no systematic transfer of accurate crop information from farmers or the MALR to the MWRI, nor did the MALR or farmers understand the Nile irrigation system constraints. Both ministries recognized that they needed the capacity to match real-time

irrigation water demands with water deliveries in order to establish an efficient, demand-driven irrigation system. Such a system called for improved cooperation between the MWRI and the MALR at all levels, and better links to farmers.

A series of APRP benchmarks in Tranches I, II, and III focused on improved water use in rice and sugarcane production, water user associations, and an irrigation strategy. Work on these benchmarks led to better cooperation between the MALR and the MWRI, and laid the groundwork for the Tranche IV benchmark (C1) to create a new joint information system. The two ministries formed an informal working group, supported by APRP and EPIQ, to lead the effort to design and implement the new system. APRP capacity-building for the information system began in 1998 with two training activities in the United States. In June, seven MWRI staff attended a ten-day water quality course in Wyoming. In August ten staff from the MWRI and MALR participated in a three-week study tour on irrigation and water management in Utah, Arizona, and California. In mid-August in Cairo, APRP facilitated a roundtable on strategic priorities for agriculture and water. This event assembled about 60 people from the MWRI, MALR, Ministry of Trade and Supply, the private sector, USAID, and APRP. It built awareness and consensus around the new information system.

In 1999 the MWRI and MALR launched a pilot program in five irrigation districts in the governorates of Beheira, Beni Suef, Luxor, Qena, and Sharkeya. These districts cover approximately 270 thousand feddans. APRP facilitated start-up workshops and meetings for the working groups formed in each governorate to plan and coordinate the collection and management of the required information. Data collection began during the winter season (1999-2000) in the five irrigation districts. Based on review workshops of the results of the winter trials, the working groups developed a more refined plan for collecting data on farmers' summer planting intentions and for data transfer protocols among the local, governorate, and central-level units in the MALR and MWRI collecting and receiving the information. Data were collected and transferred every two weeks. These efforts were reviewed in two large workshops in Cairo in September and December, and a final plan was developed for the winter season (2000-2001) trials. Computers in the pilot areas were upgraded by the MALR's EAS, which also provided training in data entry and transfer, with some support from APRP. A public awareness and information outreach campaign was developed in anticipation of expanding the program.

In August 2000, APRP facilitated a workshop in Cairo to review the experience of the pilot program, to identify and address implementation issues that emerged during the first year, and to plan for expansion of the program. Participants in this workshop were agricultural and irrigation engineers from the pilot districts, plus some heads of agricultural and irrigation directorates in the five governorates. Based on the success of the pilots, the MWRI and MALR were eager to expand to 26 other irrigation districts in the targeted governorates. In 2001, APRP facilitated three expansion planning workshops, followed by training seminars for 150 MWRI and MALR staff in Qena, Luxor, and Beheira. Two review workshops in October 2001 in Cairo assembled 133 participants for further review and planning. That same month the ministers of both ministries signed a joint agreement formalizing their approval of the information system developed in the pilot program and creating an interministerial committee to plan the technical and financial steps to roll the system out nation-wide. The national plan will be the basis for a major shift from the current water delivery system to a real-time, demand-driven system that will optimize the use of irrigation water and contribute to conservation (see RDI 2001). APRP, in cooperation with MALR/EAS and EPIQ, are providing further capacity-building to buttress the

success of the expansion through more training, computer upgrades, technical analysis, and workshop facilitation.

4.3.2 Assessment

Both documents and the team's interviews cite the new real-time information system and the MALR's and MWRI's capacity to use it to rationalize water releases from the Aswan Dam as a success story. Several impacts are noted. First, the timeliness and match with needed water quantity have already improved in the pilot districts since the program began. Interviewees reported increased farmer satisfaction with water deliveries, as evidenced by a drop in complaints. Second, coordination and the cooperation between the MALR and the MWRI improved significantly, a real achievement given their past history. This cooperation exists at all levels, from central to local. In some districts communication between staff of the two ministries is daily. This increased communication has had positive impacts on problem-solving for farmers. For example, the new information availability makes it possible to provide sufficient lead-time in cases of water shortfalls for farmers to adjust, particularly at the critical periods when they are doing field preparation and planting.

Third, and related to better problem-solving, the new system gives the two ministries a much greater capacity to generate high quality data. Agricultural and irrigation engineers in the pilot districts cooperate better to unify and improve the quality of the data. Through direct contact, they are able to solve problems faced by the farmers with respect to water supply and demand. The databases for the five districts regarding the cropping patterns, acreage of each crop, and time of planting, have been established at the branch canal levels and allow not just finetuning of irrigation water needs, but contribute to better agricultural statistics. The reinforcement of data collection and analytic capacity will have spread effects in both ministries, where other policy and program issues may be addressed using computer-assisted solutions.

A fourth impact is an increased awareness among agricultural and irrigation engineers at the district level of the need to rationalize the use of irrigation water. This awareness has been transferred to farmers by extension agents in the course of surveying farmers on their crop mix and plans for the next season. Such awareness is important, given the increasing competition between agricultural, industrial, and urban needs for the finite amount of Nile River water available to Egypt, fixed by international agreement at 55.5 billion cubic meters annually.

APRP's contribution to developing the real-time, bottom-up information system and building the MALR's and MWRI's capacity is widely recognized. The benchmarks across all the tranches established the incentives and targets that encouraged the MALR and MWRI to build a cooperative relationship in pursuit of common objectives. APRP provided technical assistance in system design, data issues, and computerization, undertaken in collaboration with EAS and EPIQ. APRP's facilitation assistance in the intensive series of planning, review, consensus-building, and training workshops and seminars helped with the process aspects of capacity-building and system development. Between August 1998 and November 2001, APRP-facilitated events, not counting the U.S. training/study tours, involved a total of 620 participants. This assistance effectively supported the actors in both ministries interested in making changes, particularly the widely-recognized "mismatch" policy champion in the

MWRI, Eng. Elwan Hussein.

5. PRIVATE-SECTOR PARTICIPATION IN POLICY

Helping the Egyptian government and the private sector define the nature of their interaction and collaboration to promote the growth of a free market economy has been a major policy reform theme throughout APRP. The private sector promotes the interests of individual firms or of economic sub-sectors, such as processed foods, cotton, horticulture or seeds. The public sector promotes the country's national interest and protects the welfare of the nation and the people. While the interests of the public and private sectors are not always identical, both share many of the same objectives. These include increased exports, employment generation, and added value and incomes, to name a few. Policy dialogue between policy-makers in the Government and representative private sector associations offers the private sector the opportunity to exercise voice and can lead to the achievement of shared goals, even in cases where the interactions themselves may on occasion be acrimonious or conflictual.

APRP support has been important to creating the capacity of the private sector to exercise voice and participate in policy dialogue, as the discussion in Section III above shows. That support consisted of both specific benchmarks that helped to establish autonomous entities for policy dialogue (such as Tranche IV, D1), and organizational development assistance to help the ACC and trade associations such as ESAS think through their mission, engage in strategic planning, undertake advocacy activities, and conduct independent policy analysis. The private sector's use of their capacity goes beyond particular APRP benchmarks, and the discussion below highlights several stories that illustrate how the private sector has engaged with government actors to advance their interests. The outcomes achieved are in sharp contrast to the pre-liberalization era when state interests predominated.

5.1 Agricultural Commodity Council

5.1.1 Analysis

With the creation of the Commodity Councils, the venues for members of the private sector to represent and promote their interests have grown. The ACC's subcommittees have been formed and have established programs, which they have also begun to implement: rice, seed, and fiber; transportation; peanuts and oil; flowers and ornamental and shade plants; fruits and vegetables; and animal and fish protein. Some, like the transportation council, have developed formal policy positions. The experience of the ACC's Rice and Grains Subcommittee illustrates private sector participation in policy.

At the beginning of APRP, rice millers and exporters had only one organization representing them, the Rice Branch of the Cereals Chamber of the Egyptian Federation of Industries (EFI). EFI is a public agency, reporting to the Ministry of Industry; and the managers of the Cereals Chamber, including the Rice Branch, were paid by the Government. The Rice Branch met monthly (about eight or nine times a year) to discuss the general situation in the domestic and international (particularly, the regional, Eastern Mediterranean) rice markets. The industry person who chaired the monthly meetings was the head of a public sector rice milling company. However, by October 2000, the Rice Branch was no longer the sole voice of the rice industry. That year, the ACC formed a Rice and Grains Subcommittee whose membership was largely private sector. The key members of this Subcommittee are the heads of the largest rice exporting

and milling companies. The Rice Branch continued to meet monthly in Alexandria, but its influence waned slightly.

When world rice prices declined to their lowest levels in 15 years during the early months of the 2000/01 export marketing season, Egypt's rice exports slowed, despite the fact that domestic rice prices were unusually low during the four months following the harvest of the 2000 paddy crop. The Minister of Agriculture, H.E. Youssef Wally, proclaimed a minimum paddy purchase price in mid-January 2001, which was well above the levels paid to most producers following the rice harvest (from September through December 2000). The Rice Subcommittee saw this as an opportunity to argue vigorously for subsidies. One of the leading rice exporters put together a brief that noted how the higher paddy prices would even further depress Egyptian rice exports. Comparing this new price level with prices of competing rice in key international markets, the Rice Subcommittee argued forcibly for export subsidies. The Minister of Foreign Trade took their brief to the Cabinet, presented it, and the Cabinet responded by putting in place generous subsidies. The Export Development Bank was charged with disbursing subsidy payments to rice exporters.

The response to the implementation of rice export subsidies was immediate and enthusiastic, reversing a decline in exports in December 2000 and January 2001 due to stiff international competition and worldwide surpluses. Following the implementation of the subsidy scheme (on 24 January 2001), Egypt went on to attain a record level of rice exports, 755,000 tons, over twice the level of the preceding two export marketing seasons²². The record exports also helped Egypt to dispose of potentially embarrassing and costly rice surpluses, following two record paddy harvests in summer 1999 and summer 2000.

5.1.2 Assessment

Without strong private sector advocacy on the part of the Rice Subcommittee and its ability to put together a convincing brief, it is unlikely that the rice industry could have influenced the Government to implement an export subsidy scheme. It is also a testament to the clout of the ACC that its Rice Subcommittee was able to get the rice subsidy issue considered at the Cabinet level so quickly. Part of this is due to the ACC's strong working relationship with a receptive Minister of Foreign Trade, H.E. Youssef Boutros Ghaly, who took the Rice Subcommittee's brief directly to the Cabinet and strongly advocated rapid implementation of a rice subsidy. Perhaps another reason for quick results was the push of the Government on expanding agricultural commodity and other exports to generate foreign exchange during a period when Egypt's foreign currency reserves were hemorrhaging. While APRP does not encourage subsidies, this case illustrates how the private sector has increased its participation in policy.

²² APRP/MVE estimates that the cost of this subsidy program was approximately \$20 million, though it led to record rice export revenues of \$159 million (with the previous high being \$130 million in 1997/98).

5.2 Egyptian Seed Association

5.2.1 Analysis

Prior to liberalization, the Government dominated seed production and distribution. The Central Administration of Seed (CAS) had a monopoly for all crops except maize, most vegetables, and berseem. Besides production and supply, the CAS was also responsible for certification, a clear situation of conflict of interest. The MALR's Agricultural Research Center developed new varieties, but released them for breeding and production to other government agencies, which sold them at subsidized prices to farmers. This practice undercut the ability of the private sector to produce seed. In addition a thicket of regulation and rules governed seed policy. For example, although private firms could in principle import seed for new varieties of vegetables, in practice the registration process was slow, cumbersome, and costly. Many of the reforms necessary to open up the seed market to competitive forces have been the focus of APRP benchmarks. The voice of the private seed-producing community has been important to making progress on reform, embodied in ESAS.

As noted in Section III, among ESAS's priorities is addressing the legal and regulatory framework for seed. The association's policy advocacy program has led to extensive participation in policy dialogue on these issues. ESAS is recognized as an official member on various MALR public committees, which are established by ministerial decree (Tranche II, D5). Among the committees where ESAS participates are: variety release, variety registration, seed council, and intellectual property rights (IPR). These memberships are a reflection of ESAS's effectiveness in establishing itself as a partner with government in policy dialogue. Reported successes include the following:

- Streamlining and simplification of variety registration. ESAS advocated for reduction of testing time for vegetable seed registration from three years to one (one year for greenhouse seeds, two for open fields). Currently, any seed from an OECD country with a DUS (distinctiveness, uniformity, and stability) test is accepted. This change will help Egyptian horticulture exports to maintain competitiveness, because vegetable varieties change rapidly (Tranche V, D10).
- Increasing the availability of new varieties. Imported seeds need to be screened before registration to protect Egyptian agriculture, but the MALR's strict regulations led to smuggling. ESAS lobbied for registered seed importers to be allowed to import small sample quantities for testing. The purpose is to allow seed companies to screen a large number of varieties more efficiently and to offer farmers a wider choice of seeds. The result was a MALR decree allowing importation of limited quantities, subject to sanitary and phytosanitary controls, registration with the ministry, and inspection of the plot on which the seed trials are to be conducted (Tranche V, D8).
- Phasing out of public-sector domination of seed multiplication and distribution (see RDI 1999b, 2000b). ESAS, with APRP support, has engaged in dialogue with the MALR, CAS, and ARC on reducing government controlled seed breeding, production, and sale. Some small amount of progress has been made on these benchmarks, but more remains to be done (Tranche II, B5; Tranche IV, D5).

IPR regulations (Tranche III, D4). ESAS and APRP worked together on engaging with MALR officials to discuss plant variety protection and in developing a policy position (see Kent 2000). The association developed an awareness campaign on the importance of IPR for Egypt, and was invited to the People's Assembly to discuss IPR with parliamentarians. The MALR created a special office in the Central Authority for Seed Certification (CASC) to register local varieties to protect their IPR. This unit will be ready to operate once the new agricultural law is passed in the Assembly.

5.2.2 Assessment

Since its founding, ESAS has become a strong and consistent interlocutor with government agencies and legislators on technical issues related to seeds and on expanding the role of the private sector in seed markets. Backed up in many cases by the inherent budgetary clout of APRP benchmarks, ESAS's policy dialogue efforts have led to important movement toward privatization and liberalization of seed markets, even if all the steps have yet to be completed. The association's visibility and leadership role in policy forums and the quality of its analytic input have added to its stature and effectiveness in lobbying government officials.

Impacts reported include increased seed market share held by the private sector (Goldensohn 2001). Currently, over 20 private firms produce seed for wheat, rice, and fava bean producers, accounting for about 30% of the market. Close to 80% of the maize seed market is in the hands of 15 private companies. Six private companies own seed processing plants, and have established their own distribution networks. The streamlined vegetable seed registration and screening procedures have reduced the cost and time to register a new variety by around half. One company now exports hybrid vegetable seed to Europe. As of this writing, privatization of seed markets remains partial; the Government is still involved in the production of seed, which contributes to unfair competition. ESAS and its members have mobilized pressure for change, backed by APRP. However, the process is slow, and the Government faces countervailing pressures to resist change.

5.3 Cotton Traders and Cooperatives

5.3.1 Analysis

The private-sector share in seed cotton marketing expanded from virtually zero in 1993/94 to 36.7% in 1999/2000 and 36.2% in 2000/01²³. This increased private sector participation was due in part to government efforts to allow private traders and cooperatives back into seed cotton assembly, as well as to APRP persistence in changing the rules of the game to encourage private sector participation. It looked as if the rules of the game would change significantly in a way that would harm the private sector early in the 2000/01 marketing season. After three successive years of greater private sector participation, however, the private traders and cooperatives

²³ See MVE (2001b). This market share is based on deliveries to gins, prepared by the Cotton Arbitration and Testing General Organization, for which the data are most readily available and reliable. Actual first purchases of seed cotton by private buyers are a higher proportion of total seed cotton purchases. Some private assemblers, whether private traders or coops, sell their seed cotton to public trading companies. In these cases, the seed cotton is delivered to the gins by the public trading companies (and becomes part of the public sector market share).

protested several arbitrary decisions by the Cotton Marketing Supervisory Committee, which led to an overruling of those decisions, which would have affected private sector participation, by higher authorities.²⁴

Ministerial decrees have set the regulatory framework for seed cotton marketing since 1994/95. Originally signed by two ministers (MALR and MTS), the decrees in recent years have been signed by four. Ministerial Decree No. 1030 of August 2000 read much like decrees of prior years, but the committee responsible for interpreting and implementing the cotton marketing regulations changed in 2000/01. In prior years, the Cotton and International Trade Holding Company organized the marketing system in consultation with the Domestic Cotton Traders' Committee, but the Cotton Supervisory Committee held the sole responsibility for implementing the decree as of 2000/01.

The Supervisory Committee unilaterally allocated the PBDAC sales rings in August 2000. The allocation procedures were somewhat vague, and 28% of the PBDAC rings were assigned to the Horticultural Services Unit (HSU) on the basis that there were some farmers delivering to these rings who were producing planting seed for next season. HSU actually received 39.5% of the cotton delivered to all PBDAC rings during its first year of participation in cotton marketing. No one entity, public or private, has ever received such a large market share of seed cotton in Egypt.

The Supervisory Committee allocated 209 PBDAC sales rings (28% of the total rings) to 45 different private sector buyers. Some large private trading companies received only a handful of rings, although their past levels of purchases suggested that they should have been allocated a larger number of rings. A few smaller traders received more PBDAC rings than they could effectively manage, which led to allegations of Committee favoritism. In several cases, medium-size buyers were allocated one or more rings from each variety (which led to a wide geographic dispersion of their rings), even though they historically operated in only one or two contiguous governorates. The loudest complaints were reserved for the HSU, which clearly did not require 28% of the rings (and 26% of the seed cotton crop) in order to ensure varietal purity, as the Supervisory Committee alleged. The fact that the Chairman of the Committee was also the head of PBDAC and the former director of the HSU raised questions of impropriety among private sector buyers who did not receive close to the number of PBDAC rings that they had requested.

On 10 August 2000 (a Thursday, right before the weekend in Egypt) the Committee announced that those wishing to participate in the seed cotton marketing in 2000/01 should make an

²⁴ **The Supervisory Committee is formed in August of each year after the annual inter-ministerial decree is issued and before the seed cotton marketing season begins. The Committee is charged with implementing the annual decree and decides how PBDAC sales rings are allocated to participants in the cotton trade. In recent years, the Chairman of PBDAC has served as Chairman of the Supervisory Committee. The Committee has about 20 members, although a core group of eight to ten meets frequently before the season to set the rules and allocated the sales rings. Private sector representation on the Committee is limited to two to three members.**

application by the following Monday. The applications needed to include lists of the requested rings, by location and variety, and a deposit of LE 5,000 per sales ring. This short notice and the unreasonably tight deadline caused a barrage of complaints to the Committee and key government officials.

Many private traders also viewed the deposit of LE 5,000 per ring as a way for PBDAC (whose Chairman retained strong ties to the favored HSU) to capture a large interest-free loan from private traders (1,045,000 LE), which could be used to finance HSU purchases of seed cotton. The fact that the deposit was waived for public sector buyers made it seem discriminatory against private traders.

Another irregularity appeared in the form of an implicit Supervisory Committee threat, in August and September of 2000, that seed cotton bought outside the PBDAC ring system would not be graded and hence could not be delivered to the gins. This was intended to discourage traders from buying outside the PBDAC rings. Fortunately, it was completely undercut by the Ministers' announcement. Registered traders and Field Crop Marketing Coops who bought outside the rings were able to deliver their seed cotton to the gins directly, where it was graded. Alternatively, they and non-registered traders could sell their seed cotton to larger, registered traders who could deliver the seed cotton to the gins.

In addition, the Supervisory Committee attempted to impose a quota on each large private sector cotton trader, expressed in seed kentars, which was intended to be applied to total purchases of seed cotton, both from the PBDAC rings and through cooperatives. The SC threatened to remove PBDAC sales rings from a private trader if he bought from a cooperative. In other words, purchases from cooperatives would substitute for purchases through PBDAC rings, rather than being an additional way for established, large-volume private traders to procure needed seed cotton supplies. Again, the ministerial announcement of late September 2000 ruled this way of limiting private sector activity as invalid.

The implementation decisions of the Supervisory Committee unleashed a vehement private-sector protest of favoritism, arbitrariness, and unfairness resulting in many faxes and appeals to the relevant ministers and officials during late August and early September 2000. At the end of September, Ministers Youssef Wally (MALR) and Youssef Boutros-Ghal (MFT) issued a joint announcement, published in national newspapers, informing the public that anyone interested in participating in seed cotton marketing could do so. This was interpreted as clear ministerial support for the principle that private buyers could buy outside the PBDAC-run sales rings and be assured that their seed cotton would be graded. This press release was a major reversal of the power of the SC and its Chairman (head of PBDAC). It also reflected the rising power of the private sector traders as a lobbying group with political clout. Such an effective protest by private traders was unthinkable in the early days of cotton marketing liberalization, during the 1994/95 and 1995/96 marketing seasons, but it had become a viable and legitimate means of voicing private sector opposition to arbitrary public decisions by 2000/01²⁵.

²⁵ The only disappointing aspect of this protest was that it was not orchestrated by the Domestic Cotton Traders' Committee, an organization comprised of all the registered private, cooperative and public buyers of seed cotton. The fact that the Committee has public trading companies, ginners, and spinners as members may have diluted its voice, however, so that it could not really focus on the interests of private sector traders alone.

The private sector protest resulted in the setting up of alternative buying points by registered private sector traders and field crop marketing coops that competed directly with the PBDAC rings. Holders of PBDAC rings complained that the private buyers working outside the PBDAC ring system could offer higher prices than the official prices offered in the PBDAC rings. This diverted some seed cotton away from the PBDAC rings, particularly for the export varieties (Gizas 70 and 86) in highest demand²⁶. Growers benefited by receiving higher prices than prices paid at PBDAC rings.²⁷

5.3.2 Assessment

As in the case of increased buying of seed cotton by cooperatives during the APRP years, some of the credit for a rapid and effective private sector protest against arbitrary Supervisory Committee decisions can be attributed to a series of policy benchmarks, particularly during the first three tranches of APRP (1996/97 through 1998/99). In addition, a Tranche V benchmark, actually implemented in 2001/02, reaffirmed the principle of allowing private traders to establish private rings. This benchmark also specified that private traders who bought outside PBDAC rings would be guaranteed equal access to grading and weighing services.

It is important to note that the APRP/RDI Unit met with private and public cotton traders in August and September 2000 and listened to their complaints about the arbitrary decisions of the SC. Throughout APRP, the RDI Unit, along with the CSPP of GTZ, has served as a sounding board for private cotton traders. APRP and CSPP have organized numerous presentations and workshops at which concrete measures to liberalize the cotton trade have been discussed. By maintaining a constructive dialogue with both the private and public sector industry participants, APRP and CSPP have improved understanding of constraints facing the industry, recommended ways to overcome constraints, and perhaps emboldened the private sector to question and challenge Egyptian government authorities on important issues affecting the industry.

5.4 Ministry of Foreign Trade

5.4.1 Analysis

As discussed in Section IV above, the MFT's mandate is the promotion of Egyptian exports. The MFT issues many regulations through ministerial decrees or circulars that aim to support the Egyptian business community's ability to export Egyptian products. To effectively fulfill this role, the MFT needs to incorporate a wide range of views from members of that community as part of the process of regulatory development. As noted in the previous section, consultation and negotiation with the private sector is a regular feature of rule-making in the United States and

²⁶ Private registered trader purchases outside the PBDAC sales rings were an estimated 197,632 seed kentars, or 5.7 percent of the estimated seed cotton crop in 2000/01.

²⁷ It should be noted that a buyer at a PBDAC sales ring is certainly able to offer prices higher than the official prices, which are technically floor prices. MVE has found no evidence, however, that this ever happens, and it is clearly in the interest of PBDAC ring-holders to offer official prices when prices outside the rings, particularly during a short crop year such as 2000/01, are higher. Such ring-holders can tell farmers that they are compelled to offer official "table prices" and nothing more, although this is clearly a misinterpretation of official prices as fixed (rather than floor) prices.

many European countries (see Spector 1999). In Egypt, this consultation process has improved during the past few years with the creation of the Commodity Councils and the increased capacity of private agribusiness associations, such as ESAS and HEIA (see Section III), as well as increased capacity of government to listen and respond to external voices (see Section IV). One area, though, where consultations on occasion took place after key decisions had been made related to foreign trade agreements. Private-sector actors felt blindsided by ministerial after-the-fact announcements, and were concerned that the Government was entering into agreements without fully considering the needs of the private sector and/or the implications for the Egyptian economy. APRP brokered discussion on this problem among public and private-sector stakeholders, which led to a benchmark on transparency and consultation regarding foreign trade agreements, which calls for a decree allowing stakeholders to review and comment on draft regulations before they are officially issued (Tranche V, D10).

The MFT issued Decree No. 910 on December 6, 2001, which stipulates external review and comment. As noted in Section IV, the ministry jointly developed an export promotion strategy with the Commodity Councils at the end of 2001, and circulated the draft strategy for comments from the private sector. It has published hard copies of five trade agreements with Arab countries, which are available as well, and will be posted on the MFT's website. The ministry and its outreach entity, the Export Promotion Center, are considered leaders in promoting transparency and in engaging the private sector in policy dialogue.

5.4.2 Assessment

Effective private-sector participation in policy dialogue depends upon the availability of information regarding government intentions and technical aspects of the particular policy in question. The team's interviews revealed that transparency of decision-making within the MFT has improved over the past year, and that the ministry and the Export Promotion Center are making sincere efforts to share information to enhance private/public dialogue. APRP support and technical advice were consistently cited as buttressing these changes, which have contributed to sustaining policy communication between public and private-sector actors, and to assuring that regulations respond to the needs of private exporters. Private-sector interviewees expressed satisfaction that they are now being offered the opportunity to comment on regulations while still in draft form, and presumably this satisfaction will translate into greater acceptance and understanding of those regulations once issued in final form. It is too soon to expect impacts on either foreign or domestic investments in Egyptian export agriculture.

6. THE PROCESS OF POLICY CHANGE

A frequently-made statement in many of the team's interviews was that policy reform is more than issuing decrees, passing laws, and developing regulations. While these are necessary elements of policy change, they represent the starting foundation of the process rather than its culmination. To achieve results, policy change needs to focus on implementation. This means paying attention not simply to what are the "right" policies, that is, what the technical content of policy prescriptions should be, but also to how to bring change about. Policy implementation combines both technical and process dimensions (Brinkerhoff 1996).

As the previous sections have illustrated, APRP's approach to working with the Egyptian government and the private sector to support a shift in their roles has blended technical and process assistance. This section considers the impact of the program's combined technical and process approach to policy implementation. The section begins with a closer look at the process dimension of policy reform. It reviews APRP's role and activities in addressing policy implementation requirements.

6.1 From Policy Formation to Implementation

Policy formation emerges from a confluence of political, economic, social, and technical issues and agendas that lead to policy decisions. These decisions, embodied in decrees and laws, rarely specify the details of implementation. Experience with policy reform across a wide variety of sectors suggests that implementation shares a common set of steps that are roughly sequential (Brinkerhoff and Crosby 2002, Chapter 2)²⁸. The chances of successful implementation are enhanced to the extent that reformers address each of the steps. The set of steps includes the following: policy legitimization, constituency-building, resource accumulation, organizational design and modification, mobilizing resources and actions, and monitoring progress and impact.

- Policy legitimization: To make progress with implementation, key decision-makers must view the proposed policy as legitimate. To acquire legitimacy, some individual, group, or organization must assert that the proposed policy reform is necessary and vital, even though it will present serious costs. The more contentious the policy issue, or the more the new policy departs from past practice, the more important will be the legitimization function.
- Constituency-building: A constituency for the reform must be developed; the reform must be marketed and promoted. Constituents may be consumers of the service that the policy mandates, providers of inputs, or officials within implementing agencies. Constituents may also be groups with some influence in the direction of the change, or that can bring some sort of resource to bear in support of the change. Constituents are the winners in the policy reform process. Constituency-building complements and

²⁸ The discussion here draws from USAID's *Implementing Policy Change Project (1990-2001)*, which provided analytic and technical assistance in managing policy reform in over 40 countries. IPC's experience, lessons, and tools are assembled in Brinkerhoff and Crosby (2002).

amplifies legitimization. It aims not only at gaining acceptance but also at mobilizing and eventually institutionalizing a new set of stakeholders and beneficiaries with an interest in reform results.

- **Resource accumulation:** To implement a new policy, human, technical, material, and financial resources must be allocated to the effort. This means both securing initial funding and assuring the policy a place in the Government's budget allocation process. Frequently, the agencies charged with implementing a new policy have limited resources and capacity. In many cases, a simple injection of funds is not enough. It also means lining up the right people and organizations to be involved as well.
- **Organizational design and modification:** This involves adjusting the objectives, procedures, systems, and structures of the agencies responsible for implementation. Reformers frequently need to confront the inertia and resistance of entrenched procedures and routines, and alliances with existing constituents and interests. Also, when policies require agencies to engage in tasks that are substantially different from current ones, capacity issues arise.
- **Mobilizing resources and actions:** This step builds upon the supporting constituencies (Step 2) and the accumulated resources (Step 3), and marshals their commitment and resources to engage in concrete efforts to make change happen. Mobilization of resources entails both planning and doing. It includes the preparation of concrete action plans, clarification of performance targets and standards, and then the conduct of those activities. Frequently this involves breaking the reform into a sequence of action steps. For example, many reforms begin with pilot sites for demonstration and learning.
- **Monitoring progress and impact:** If policy reform measures are successful, then their impacts will be evidenced through transformed behaviors, greater or improved benefits to consumers or clients, more effective or efficient production and use of resources, increased production and economic growth, and so on. Reformers need to establish and use systems to track progress. These systems not only alert decision-makers to implementation snags, but also inform them of intended and unintended impacts of reforms.

6.2 Role of APRP in Facilitating Policy Implementation

Through the team's interviews, discussions, and review of documents, it became readily apparent that APRP's approach to policy implementation has largely incorporated the lessons of experience and best practices encapsulated in the implementation steps briefly sketched above. Using the steps as a template, the discussion below highlights selected APRP activities in support of the reforms reviewed in this study to demonstrate APRP's role and activities.

6.2.1 Policy Legitimization

APRP has played an important role in developing legitimacy for the liberalization and privatization policies for which the program has provided budgetary resources through its various tranches. The history of APRP and of APCP before it demonstrates that convincing Egypt's leadership of the need for and desirability of reform has been a long-term effort. First and most directly, APRP has addressed policy legitimization through the process of policy dialogue with

senior agriculture-sector officials that has led to agreements on benchmarks for the tranches. This dialogue has taken many forms. Sometimes it is informal, one-on-one or small group discussion between Egyptian officials and APRP experts, joined periodically by USAID staff. Sometimes it is formal exchange through workshops or seminars, supported by APRP analytic studies. Second, APRP has focused explicitly on widening the circle of actors who consider the program's targets important and worth achieving, and on identifying and working with policy champions. A clear example of this is APRP's work with the MWRI's Eng. Elwan Hussein in support of resolving the irrigation water mismatch issue. Several of APRP's policy champions come from the private sector; a good example here is the founder of ESAS, Samir Nagar.

6.2.2 Constituency-Building

In tandem with seeking policy champions and creating legitimacy for new ideas, APRP has engaged in constituency-building to gain active support and commitment for the reform measures embodied in the program's targets. Through extensive participatory exercises, often in the form of workshops and seminars, APRP has supported increased understanding and ownership of reforms among progressively expanded networks of stakeholders. These efforts have not only generated support for change and innovation, but have also served to reduce or deflect opposition by groups who considered reform measures to be harmful or threatening. APRP staff members have endeavored to the extent possible to make stakeholder interactions win-win exchanges, rather than framing them in winner-loser terms. By consciously remaining in the background in public forums and in maintaining the position of neutral brokers, APRP staff have contributed to the creation of indigenous constituencies for change, which have a greater likelihood of sustaining momentum toward results than expatriate-led or dominated efforts.

The delegation of cotton pest management to the private sector strongly exemplifies APRP's approach and its success in forging supportive constituencies in both the public and private sectors, and at central and governorate levels (see Section II.A). APRP's constituency-building with the private sector demonstrates a reform strategy that recognizes the power of demand-driven pressure for change from outside of government. In the case of cotton pest management, APRP has facilitated mobilizing the voices of farmers, EATSAP, and Crop Life Egypt to push the MALR at various levels, central, governorate, and village, to open pest management to private-sector actors.

6.2.3 Resource Accumulation

The budgetary resources associated with the achievement of the various benchmarks for each APRP tranche obviously represent one critical illustration of resource accumulation. However, the Egyptian government has also contributed significant financial resources beyond those provided by USAID's budget support to fund the various pilot activities undertaken by the program. For example, the farm income data collection, as well as the MVE-supported crop yield forecasting (cotton and wheat) and crop area measurement, were government-financed. Thus, the financial resources accumulated to implement APRP-induced reforms constitute a mix of USAID and Egyptian government funds.

As mentioned above, financial resources are not the only kind required to move forward with implementation. Getting the right people and organizations on board with appropriate skills, from both the public and private sectors, is necessary too. APRP's work on reorienting

agricultural research and extension is a good example of this implementation step (see Section II.B). The MALR and the ARC had valuable human resources that could serve the needs of horticulture exporters and producers, but these resources were to some extent in the wrong places (inside resource-poor and unresponsive public extension services) and were doing the wrong things (providing top-down, unadapted technologies). With APRP's help, in cooperation with the research and extension reform teams and HEIA, extension agents moved into the private sector completely, or worked part-time on a contractual basis for private producers/exporters, and gained new skills in export-supporting technologies. This process of accumulating the right resources in the right place contributed to implementing the delegation of research and extension functions to the private sector.

6.2.4 Organization Design and Modification

A major component of APRP's technical assistance has addressed this implementation step. Shifting government agencies' roles away from direct service delivery and administrative control of markets and toward provision of a competition-enhancing regulatory framework and of agricultural export support has entailed important changes in agencies' objectives, operating procedures, structures, and staff behaviors. All of the examples reviewed in this study demonstrate either helping existing organizations to rethink their mandates, restructure their operations, and retool their staff; or forming new organizations to take on new functions. In the former category, APRP has worked with numerous units of the MALR at multiple levels and with affiliated agencies (ARC, CASP, CAPC, CAPMAS, and others), plus other ministries such as the MWRI, MFT, and MTS. In the latter category, APRP has assisted in the creation of the ACC and the start-up of ESAS.

APRP assistance on the technical side has consisted of analysis and systems design; for example the irrigation water supply information system that the MWRI and the MALR are now using to reduce the mismatch between farmers' irrigation needs and water releases from the Aswan Dam²⁹. Another example is the analysis APRP undertook on agricultural cooperatives to provide the technical foundation for their increased autonomy and expanded role in serving farmers needs (see Sherif et al. 1999). A third example of analytic support to organization design and modification is the numerous RDI Policy Briefs that elaborate organizational issues, detail necessary procedural and structural changes, and offer recommendations (e.g., Nasser 1998, RDI 1999c, RDI 2000a). These Policy Briefs have been widely disseminated among public and private-sector stakeholders in agriculture-sector reforms. APRP's process support has been equally important in providing the organization development activities to help public and private-sector actors to engage in new behaviors, work together in cooperative partnerships rather than in state-dominated hierarchies.

6.2.5 Mobilizing Resources and Action

For this implementation step, APRP's extensive facilitation of consensus-building, strategy development, and action planning reveals the important role it has had in getting stakeholders to

²⁹ This type of organization design assistance has been a very significant contributor to APRP impacts. Other examples of APRP support to information systems can be found in Ehrich (2001).

plan and carry out concrete implementation activities. Egyptian reform implementation teams—with APRP facilitation, encouragement, and coaching—have used pilot tests and demonstration projects to show early successes, refine reform models, and build confidence. All of these efforts have served to move implementation forward. The impressive numbers of stakeholders assembled in APRP-facilitated workshops for cotton pest management and reorientation of research and extension attest to the attention APRP has paid to mobilizing resources and action to make implementation progress on the various associated benchmarks. APRP's capacity-building has used these workshops and planning meetings to model new behaviors and interaction patterns for all stakeholders, and has created a cadre of Egyptians skilled in designing and managing such workshops and meetings. At the level of individual organizations, APRP has also helped with resource and action mobilization. This is exemplified in APRP's work with trade associations and the ACC (see, for example, Gormley 2000, Gormley and Khattab 1999a and 1999b, McCoy 2000).

6.2.6 Monitoring Progress and Impacts

Monitoring implementation progress is built into the rationale and structure of APRP as a series of performance-based budget support tranches. APRP has been an important partner in demonstrating the importance of monitoring to Egyptian reform implementors. The need for monitoring and making adjustments in implementation plans is linked to the strategy of employing pilots and demonstrations to make progress on liberalization and privatization. Thus, for example, APRP has built monitoring systems and review workshops into the implementation efforts it has supported in cotton pest management and reorientation of research and extension services. Another important APRP contribution has been in helping public-sector actors to expand the use of evidence-based policy making. This is illustrated, for example, by APRP's assistance to the MALR in improving agricultural information and statistics (e.g., Gleason and Hussein 1999, Holtzman et al. 2000, Krenz et al. 2001, see also Ehrlich 2001).

Further, APRP has advanced the role of the private sector in policy implementation monitoring as part of private/public policy dialogue, and increased government transparency and accountability. Private-sector actors participate in APRP policy studies and workshops to review experience and results, and to provide input into refining current policies being implemented and into the formulation of the ongoing agricultural policy reform agenda. These efforts help the public and private sectors to redefine their roles within a free market economy and enhance private-sector participation in monitoring results and commenting on them from their perspective. In terms of the iterative cycle of policy implementation steps, participation in policy monitoring reinforces the legitimacy of the policy measures being implemented and contributes to maintaining and/or expanding constituencies for change. A good example comes from cotton pest management. The participation of EATSAP and Crop Life Egypt in policy monitoring through self-regulation (the code of ethics) has served to reinforce the legitimacy of private sector involvement in pest control and has served to reassure the various stakeholders of the desirability of the change.

7. LESSONS AND CONCLUSIONS

Since 1996, APRP-supported policy reforms have addressed a wide array of policy issues related to agricultural sector liberalization and privatization. These reforms have been the subject of numerous benchmarks associated with the program's tranches. The design of this study selected a small sub-set of those benchmarks for scrutiny regarding how they, and the APRP-supported activities undertaken to achieve them, contributed to changes in the roles fulfilled by public and private-sector actors. The previous sections of this report have offered assessments of APRP activities in support of these role changes, examining delegation of functions to the private sector, public and private-sector capacity-building, private-sector participation in policy, and the steps in policy implementation. An overall picture emerges of positive and significant impacts of APRP technical and process assistance on all of the benchmarks reviewed.

Benchmarks with clearly visible benefits include:

- State withdrawal from cotton pest management,
- Promotion of trade associations,
- Effective use of irrigation system information,
- Improvement in agricultural statistics.

Benchmarks where some initial benefits have emerged or where there is high potential for future benefits include:

- Reorientation of agricultural research and extension services,
- Establishment of the private-sector operated cold storage facility at the Cairo airport,
- Promotion of cooperatives= autonomy and functioning (including cotton marketing),
- Promotion of private-sector participation in policy-making.

This section does not repeat or try to summarize the report's assessments in detail. Rather, it makes some observations and lessons on policy reform, and offers thoughts on implications for future USAID programming.

7.1 Lessons Learned

- In liberalized, export-oriented economies, the public and private sectors need to work together in ways that take advantage of their distinctive competencies and capacities. As the Egyptian government liberalizes and delegates economic activities to the private sector, the potential for partnerships increases. Initiating partnerships depends upon a minimum level of trust between the parties involved, as Tyner (1999a) points out, and this study confirmed. Maximizing this potential requires developing shared objectives, jointly deciding upon roles and responsibilities, and following through on agreed actions. APRP has served critical functions in making delegation to the private sector and partnerships happen; these include confidence- and trust-building, serving as a neutral broker, modeling new consultative behaviors, facilitating new interaction patterns, and building capacity. The effective fulfillment of these functions clearly contributed to the success of public-private partnerships in cotton pest management and research and extension services.
- Policy projects can serve as an important impetus for initiating change, and through their budget support as a pivotal motivator for pursuing reform. APRP contained a set of

goals and objectives that laid out guideposts for reform, and were used as a means to focus policy dialogue and to exert pressure for change. The benchmarks, and their associated indicators were the specific performance standards for reform. Ideally, the consultative process of developing benchmarks or of undertaking studies that led to benchmarks helped to create legitimacy for the reform measures and to build consensus. In practice, this pre-benchmark consensus-building was sometimes truncated. APRP's technical and process assistance often had to use the benchmarks as "rallying points" to mobilize policy champions and stimulate progress after senior officials had already signed off on them.

The Egyptian government's gradualist policy implementation strategy has led to a series of short-run successes, reflecting the positive elements of incremental reform, where it can be easier to deal with stakeholder opposition, effects can be tracked over time and mid-course corrections made, and action plans fine-tuned. However, the gradualist strategy has posed some problems for APRP teams seeking to help build constituencies and consensus because gradualism also conveys ambivalence and hesitation, which calls into question credibility and commitment³⁰. Some stakeholders have doubts that the Government is sincere about reform, and thus are not sure they want to be involved. For example, among the private horticulture exporters interviewed for another of APRP's impact studies, as well as several of this team's private-sector interviews, skepticism and cynicism were expressed about the Government's intentions regarding supporting the private sector. It should be noted that gradualism is not a new pattern in Egypt and is not specific only to APRP. For example, Ibrahim and Lofgren (1996: 177-178) cite "hesitant implementation of trade liberalizations, public sector reform, and privatization" in the ERSAP in the early and mid-1990s. Therefore, to achieve long-term results in Egypt, reformers and their donor partners need to "stay the course."

³⁰ **A complicating factor in sorting out commitment from capacity constraints is the Egyptian public bureaucracy, which, through its widely recognized cumbersome procedures and administrative lethargies, contributes to sluggish reform implementation. Thus telling the difference between intentional hindrance and system inefficiency can sometimes be difficult.**

- Working on the demand side of policy reform is critical to getting results. APRP's experience confirms the importance of demand-creation among stakeholders outside of government, a lesson from policy change in other countries and sectors (Brinkerhoff and Crosby 2002). While building public-sector capacity and supporting government change agents is important, government commitment and ability to supply reform is significantly enhanced when reforms are backed by pressure from the private sector and civil society, analogous to the economic principle of demand-pull leading to increased supply. APRP's collaboration with, and support to, HEIA, ESAS, ACC, EATSAP, and Crop Life Egypt have been valuable in moving forward with the role shifts reviewed in this study, a point made by many interviewees. As the cotton traders and rice industry examples reported on above show, the private sector can, on occasion, exert strong pressure on the Government.³¹
- A corollary to the previous lesson is that private-sector demand-making capacity is not always used in support of the intended agendas of donor-supported reforms. The example of the ACC's Rice Subcommittee lobbying for a rice export subsidy demonstrates this point. APRP's reform agenda takes a firm stand against subsidies, yet within Egypt's private sector, there are many actors who want government to do more than simply provide the "level playing field" for economic competition, along with market and economic statistics. Donor-supported technical assistance can make suggestions and demonstrate arguments to their counterparts in favor of particular policies, but cannot force their acceptance and still maintain a collaborative and facilitative relationship with indigenous leadership for change. This lesson highlights the need for donors to maintain commitment for the long-term, even when host-country constituents make policy choices they do not necessarily agree with.
- Scaling up the pilots in the various APRP policy areas related to public and private-sector role changes (cotton pest management, reorientation of research and extension services, autonomy of cooperatives) will be critical to generating intended program impacts. As this study has documented, APRP support has succeeded in launching demonstration efforts that have helped the public sector to shed functions and the private sector to take those functions over, and to help both sectors to work together effectively as partners. However, scaling up to cover the entire country will face a number of key challenges. First will be the resources to facilitate the expansion. With APRP coming to a close, the MALR and its private-sector partners will not have access to ongoing technical and process assistance. While the various stakeholders have some capacity to carry forward on their own, the team's interviews revealed concerns that existing capacity is not deep enough to support scaling up without further outside help. Second, nation-wide expansion will confront political factors that are likely to constrain implementation. For example, most of these reforms will, if fully implemented, lead to public-sector downsizing and staff lay-offs. It is well known that Egypt's state bureaucracy is overstaffed. However, historically, the Egyptian government has been reluctant to downsize (see Weiss and Wurzel 1998), and given the current economic downturn, that

³¹ The caveat here is that there are limits on the extent to which the Egyptian government is open to external pressures, particularly when those pressures are perceived to be sources of political opposition. The Government has traditionally kept a tight rein on civil society organizations. For useful discussion of civil society and NGOs in Egypt, see Sherif et al. (1999) and Al-Sayyid (2000).

reluctance has, if anything, increased. Thus, interest group politics, whose effects can to some extent be mitigated in smaller pilot tests, will necessarily emerge more forcefully as reforms are scaled up.

7.2 Implications for Future USAID Programming

- Because policy reform is an inherently political process, USAID needs to pay attention to the interest group dynamics that shape policies and institutions. Various groups will seek to influence them in ways that will serve their interests. Collier (2002: 15), writing about “making aid smart,” argues that donors have two avenues for intervention. First they can undertake actions to change the beliefs of stakeholders about what policies and institutions best serve their interests. Second, they can seek to make marginal changes in the balance of influences among groups.
- Regarding changing stakeholders’ views and beliefs, one important intervention is to strengthen indigenous capacity to analyze policy issues. For example, USAID assistance in Bulgaria and other Central and Eastern European countries has focused on building this kind of capacity. APRP has done this successfully in its work with business associations, which should be continued under future reform programs. Beyond business associations, private or university-based think tanks could be included to stimulate provision of independent, external sources of agricultural policy analysis expertise. USAID/Cairo has supported the Egyptian Center for Economic Studies (ECES), and though to date the Center has not undertaken agricultural policy analysis, ECES is the kind of organization that could potentially fulfill this function. Egyptian universities as institutions have limited analytic capacity, though in certain cases individual faculty members possess relevant skills. Universities follow a research consulting model, however, which means that professors have few incentives to bring grants and contracts to their departments, and prefer to take on assignments as individuals. Thus, the most feasible approach may be to encourage business associations to hire outside expertise in situations where their own internal analytic capacity is insufficient.
- Regarding shifting the relative power of various stakeholders, continued strengthening of business associations and cooperatives should be envisioned. This further encourages the demand-pull approach to reform implementation. In the future USAID should consider ways to expand trade association membership beyond the “big boys” in the Egyptian private sector, so that the interests of smaller exporters and producers can be represented in policy dialogues and decisions. Some associations have smaller members, but it appears that the major associations are dominated by their larger, wealthier members. There may be something of a trade-off here in that the larger members have more clout with government decision-makers, so it may in fact be the case that smaller members are content to allow the “big boys” to take the lead in exchange for having some but not all of their interests addressed.
- The neutral facilitator/broker role played by APRP process assistance is important for reform implementation. It can significantly lower the transaction costs of change, both for public and private stakeholders, and contributes to achieving desired outcomes, as the examples reviewed for this study show. Future USAID reform programs should retain this kind of assistance in conjunction with providing technical and analytic expertise.

- In each of the policy areas examined for this study, interviewees pointed out the long-term nature of the changes that APRP has supported. Particularly given the starting point in Egypt with its long history of state-led and dominated economic and governance patterns, the role shifts involved in liberalization and privatization call for extensive reorientation and transformation. While some of the gradualism observers have noted can be attributed to government-donor gamesmanship, entrenched interests and attitudes, along with lack of sufficient capacity, are also explanatory factors. The implication for USAID is that assistance in support of reform will necessarily need to be long-term as well. Continued progress with agricultural policy reforms may not require the level of effort in technical assistance invested under APCP and APRP, but nonetheless some investment will be needed.

- While long-term investment in support of policy reform may be called for, targeted interventions will help to make that investment effective. The suggestions made regarding support to business associations and policy analysis expertise represent a couple of possible targets for the future. Agricultural cooperatives are another recommended target. APRP has made some progress in moving cooperatives out from under the weight of the public sector, but as the team's interviews revealed, more remains to be done to transform cooperatives into entities that serve the needs of an independent and internationally competitive private sector. Within the public sector, agencies that are bottlenecks to progress could be targeted. For example, interviewees for the horticulture export study indicated that the customs agency is a major source of impediments and rent-seeking for exporters. Customs reform could be an important target for supporting continued agricultural liberalization and privatization policy goals.

REFERENCES

- Agricultural Research Center. 1998. **Agricultural Research Center: Objectives, Achievements, Current Activities, Future Prospects**. Cairo, MALR.
- Al-Sayyid, Mustafa Kamel. 2000. A Clash of Values: U.S. Civil Society Aid and Islam in Egypt. In Marina Ottaway and Thomas Carothers, eds. **Funding Virtue: Civil Society Aid and Democracy Promotion**. Washington, DC: Carnegie Endowment for International Peace, pp. 49-73.
- Bingen, R. James and Derick W. Brinkerhoff. 2000. **Agricultural Research in Africa and the Sustainable Financing Initiative: Review, Lessons and Proposed Next Steps**. Technical Paper No. 112. Washington, DC: U. S. Agency for International Development, Bureau for Africa, Office of Sustainable Development, August.
- Brinkerhoff, Derick W. 1996. **Process Perspectives on Policy Change: Highlighting Implementation**. World Development 24(9): 1395-1403.
- Brinkerhoff, Derick W. and Benjamin L. Crosby. 2002. **Managing Policy Reform: Concepts and Tools for Decision-Makers in Developing and Transitioning Countries**. Bloomfield, CT: Kumarian Press.
- Carney, Diana. 1998. **Changing Public and Private Roles in Agricultural Service Provision**. London: Overseas Development Institute, Natural Resources Group.
- Collier, Paul. 2002. **Making Aid Smart: Institutional Incentives facing Donor Organizations and their Implications for Aid Effectiveness**. Washington, DC: U.S. Agency for International Development, Forum Series on the Role of Institutions in Promoting Economic Growth, Forum No. 2: The Institutional Economics Approach to Aid Effectiveness, February 25.
- Dale, Heather. 2001a. **Agricultural Cooperative Reform in Egypt: RDI's Activities and Prospects for the Future**. Cairo: APRP/RDI Unit, December.
- Dale, Heather. 2001b. **Status Assessment of Agricultural Research and Extension Reform**. Cairo: APRP/RDI Unit, October.
- Delouche, James C. 1998. **Egyptian Seed Association (ESAS) Mission, Agenda and Services**. Cairo: APRP/RDI Unit, Report No. 49, November.
- Ehrich, Rollo. 2001. **Assessment of the Impact of APRP on the Egyptian Agricultural Information System**. Cairo: APRP/MVE Unit, Impact Assessment Report, Draft, November.
- El-Fattal, Lamia, Anthony Treen, Samir Shehata, Tarek Mourad Fahmy. 2001. **Cotton Pest Management: Transferring Responsibilities from MALR to Farmers, Cooperatives and Other Private Sector Providers**. Cairo: APRP/RDI Unit, Report No. 136, June.

- El-Zanaty and Associates. 1998. **Knowledge, Attitudes and Practices of Egyptian Farmers towards Water Resources**. Cairo: Ministry of Public Works and Water Resources, Water Communication Unit, GreenCom Egypt III, and APRP, October.
- Fletcher, Lehman D., ed. 1996. **Egypt's Agriculture in a Reform Era**. Ames, IA: Iowa State University Press.
- Gisselquist, David, Mohamed Zaki Goma, and Lawrence Kent. 1999. **Assisting the Egyptian Seed Association to Design and Introduce a Code of Ethics and Supporting Trade and Arbitration Rules**. Cairo: APRP/RDI Unit, Report No. 85, November.
- Gleason, Jane and Sayed Hussein. 1999. **Study on the Cost of Production and Farm Income Data for the 1997-98 Agricultural Season**. Vol. 1. Cairo: MALR, Economic Affairs Sector and APRP/RDI Unit, Report No. 89, December.
- Goldensohn, Max. 2001. **ESAS and Sustainable Seed Policy Reforms in Egypt**. Cairo: Egyptian Seed Association Newsletter, Special Edition for the First Annual AFSTA Congress, March.
- Gormley, Wilma. 2000. **Development of Leadership Strategies Workshop for Commodity Councils and Development of Workshop on Strategic Thinking and Planning for Commercial Representation Sector, Ministry of Economy and Foreign Trade**. Cairo: APRP/RDI Unit, Report No. 111, June.
- Gormley, Wilma and Fatma Khattab. 1999a. **Agricultural Commodity Council: Report on APRP/RDI Organizational Development Assistance**. Cairo: APRP/RDI Unit, Report No. 83, November.
- Gormley, Wilma and Fatma Khattab. 1999b. **Strengthening Associations: Facilitator Guidelines for Conducting Workshops**. Cairo: RDI, RDI Policy Brief No. 17, September.
- Grindle, Merilee S., ed. 1997. **Getting Good Government: Capacity Building in the Public Sectors of Developing Countries**. Cambridge: Harvard Institute for International Development.
- Harik, Iliya. 1998. **Economic Policy Reform in Egypt**. Cairo: American University in Cairo Press.
- Hindi, Zidan and Anthony J. Treen. 1998. **Liberalization of Pest Management Service: Overall Reform Strategy**. Cairo: RDI, RDI Policy Brief No. 9, November.
- Hirschman, Albert O. 1970. **Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States**. Cambridge: Harvard University Press.

- Holtzman, John S. 2000. **Liberalization and Privatization of Key Subsectors in Egypt's Agricultural Economy: Progress and Challenges**. Cairo: APRP/MVE Unit, Impact Assessment Report No. 14, November.
- Holtzman, John S., Adel Mostafa, Ezz El Din, Abdel Kader, Nabil El Santricy, and Sherif Fayyad. 2000. **The Impact of Privatization and Policy Reform on the Cotton Spinning Industry in Egypt**. Cairo: APRP/MVE Unit, Impact Assessment Report No. 15, November.
- Humpal, Donald S. 1998. Financial Planning Consultancy to the Egyptian Seed Association—ESAS. Cairo: APRP/RDI Unit, Report No. 50, November.
- Ibrahim, Saad Eddin and Hans Lofgren. 1996. **Successful Adjustment and Declining Governance? The Case of Egypt**. In Frishtak, Leila and Izak Atiyas, eds. 1996. **Governance, Leadership, and Communication: Building Constituencies for Economic Reform**. Washington, DC: World Bank, pp. 159-205.
- Kent, Lawrence. 2000. **Plant Variety Protection in Egypt: Using Breeders' Rights as a Stimulus to Agricultural Development**. Cairo: RDI, RDI Policy Brief No. 23, November.
- Khedr, Hassan, Rollo Ehrich, and Lehman B. Fletcher. 1996. **Nature, Rationale, and Accomplishment of the Agricultural Policy Reforms, 1987-1994**. In Fletcher, Lehman D., ed. **Egypt's Agriculture in a Reform Era**. Ames, IA: Iowa State University Press, pp. 51-84.
- Krenz, Ronald D. and Adel Mostafa. 2000. **The Impacts of Privatization on the Cotton Ginning Industry in Egypt**. Cairo: APRP/MVE Unit, Special Study No. 3, May.
- Krenz, Ronald D., Adel Mostafa, and Mohamed Abu El Wafa. 2001. **Policy Lessons from the 2000/2001 Cotton Marketing Season in Egypt**. Cairo: APRP/MVE Unit, Impact Assessment Report No. 17, July.
- McCoy, Steven A. 2000. **Agricultural Commodity Councils: Future Steps**. Cairo: APRP/RDI Unit, Report No. 95, January.
- MVE (Monitoring, Verification, and Evaluation Unit). 2001a. **Benchmark Background Document: Tranche V**. Cairo: APRP/MVE Unit, February.
- MVE. 2001b. **Effects of Policy Reform Under APRP: Progress Indicators, 1999/2000**. Cairo: APRP/MVE Unit, April.
- Nasser, Kamal. 1998. **Efficient and Strong Institutions for Agribusiness and Agricultural Development**. Cairo: APRP/RDI Unit, RDI Policy Brief No. 8, September.
- Oteifa, Bakir, Zidan Hindi, Salwa Dogheim. 1999. **Analytical Review of Pesticide Laws and Regulations in Egypt**. Cairo: APRP/RDI Unit, Report No. 70, June.
- Oteifa, Bakir, Abdel Salam Gomaa, and Yassin Osman. 1998. **National Agricultural**

- Research and Extension (Looking to the Future): Phase I.** Cairo: APRP/RDI Unit, Report No. 26, March.
- Oteifa, Bakir and Abdel Salam Gomaa. 1998. **Role of Private Sector in Research and Extension Activities: Phase II Research and Extension Study.** Cairo: APRP/RDI Unit, Report No. 42, July.
- Pietrus, Joseph. 1999. **Horticulture Subsector Policy and Regulatory Constraints.** Cairo: APRP/RDI Unit, Report No. 57, January.
- RDI (Reform Design and Implementation Unit). 1999a. **Agriculture: Vision for 2003.** Cairo: Author, RDI Policy Brief No. 12, February.
- RDI. 1999b. **Improving the Production and Marketing of Hybrid Maize Seed.** Cairo: Author, RDI Policy Brief No. 14, June.
- RDI. 1999c. **Rural Organizations in Egypt.** Cairo: Author, RDI Policy Brief No. 18, September.
- RDI. 2000a. **Cotton Pest Management Services: Shifting Responsibilities from MALR to Farmers, Cooperatives and Other Private Sector Providers.** Cairo: Author, RDI Policy Brief No. 21, June.
- RDI. 2000b. **Modernizing the Seed Sector: Recommended Steps to Increase the Private Sector's Role in the Production and Marketing of Seeds for Wheat, Rice, and Faba Beans.** Cairo: Author, RDI Policy Brief No. 20, April.
- RDI. 2001a. **Matching Irrigation Supply and Demand: Solving Water Delivery Problems in a Liberalized Agricultural Economy.** Cairo: Author, RDI Policy Brief No. 25, December.
- RDI. 2001b. **New Directions for Research and Extension.** Cairo: Author, RDI Newsletter, Vol. 4, No. 4, December, pp. 1-6.
- Rivera, William M., E. M. Elshafie, and Khairy H. Aboul-Seoud. 1997. **The Public Sector Agricultural Extension System in Egypt: A Pluralistic Complex in Transition.** *Journal of International Agricultural and Extension Education* 4(Fall): 67-75.
- Sherif, Mohamed Mahmoud, in collaboration with Mohammed Sultan, Mohamed Muselhi, Assma El Bilasi, and Ahmed Hassan. 1999. **The Impact of Liberalization and Role of Rural Organizations: Policy Issues.** Cairo: APRP/RDI Unit, Report No. 78, October.
- Spector, Bertram. 1999. **Negotiated Rulemaking: A Participative Approach to Consensus-Building for Regulatory Development and Implementation.** Washington, DC: U. S. Agency for International Development, Center for Democracy and Governance. Implementing Policy Change Project, Technical Note No. 10, May.
- Tyner, Wallace E. 1999a. **Suggestions for the Agricultural Policy Reform Project in Egypt.**

Cairo: APRP/RDI Unit, Report No. 67, April.

Tyner, Wallace E. 1999b. **Trade Agreements and Issues Important for Egypt**. Cairo: APRP/RDI Unit, Report No. 90, December.

Weiss, Dieter and Ulrich Wurzel. 1998. **The Economics and Politics of Transition to an Open Market Economy: Egypt**. Paris: Organization for Economic Co-operation and Development, Development Center.

World Bank. 2001. **Arab Republic of Egypt. Toward Agricultural Competitiveness in the 21st Century: An Agricultural Export-Oriented Strategy**. Washington, DC: Author, Middle East and North Africa Region, Report No. 23405-EGT, December.

World Bank. 2002. **World Development Report 2002: Building Institutions for Markets**. Washington, DC: Author.

ANNEX

ANNEX A: PERSONS CONTACTED

APRP/RDI

Jane Gleason, Chief of Party
Mohamed Zaki Gomaa, Agribusiness Marketing Policy Specialist
Sayed Hussein, Resource Economist
Steve Joyce, Public Awareness Specialist
Lawrence Kent, Agribusiness Policy Economist
Richard Magnani, Agribusiness Policy Specialist
Samir Shehata, Institutional Analyst

APRP/MVE

Gary Ender, Chief of Party
John Holtzman, Agribusiness Advisor
Morsy Fawzy, Agribusiness Policy Analyst
Noubia Gribi, Consultant, Agricultural Trade

GTZ

Anthony Treen, Integrated Pest Management Specialist, Cotton Sector Promotion Program
Walter Froelich, Advisor, Variety Testing and Registration, Seed Certification Project

EPIQ-Ministry of Water Resources and Irrigation (MWRI)

Andrew Tczap, Chief of Party
Larry King, Senior Irrigation Engineer
Ragab Aly Abdel Azim, Irrigation Engineer

Ministry of Agriculture and Land Reclamation (MALR)

Fawzy Naeim Mahrous, President, Agricultural Research Center
Mohamed El Shahed, Head, Economic Affairs Sector
Mohamed Reda Esmael, Undersecretary, Agricultural Extension
Mohamed Omar Rislán, Head, Services Sector and Monitoring
Fathi Shaban Helal, General Manager, Agricultural Extension, Ismaileya
Medhat M.Hassan, Director, Agricultural Extension, Ismaileya
Fathi Abou El Hassan, Director, Infestation, Ismaileya

Egyptian Seed Association (ESAS)

Adel Sayed Ahmed, Chief Executive Officer
Sherif El Kerdany, Deputy General Manager

Horticultural Export Improvement Association (HEIA)

Hani El-Kolaly, Executive Director
Abdou Badawi, Member

Agricultural Commodity Council (ACC)

Ossama Kheir El Din, President
Mahmoud A Megid, Member, Red Meat Sub-Council

Ministry of Foreign Trade (MFT)

Sahar Adel Mounir, Senior Assistant to the Minister

Egyptian Export Promotion Center, MFT

Hamdy Salem, Director

Manal Karim, Head, Central Department of Research and Markets

Fatma A. Hamied, General Director, Industrial Department

Cooperatives and Private Firms

Shaban El Korma, General Manager, Korma Seed, Oil, and Chemical Company

Abu El Abbas Othman Ahmad, Chairman of the Board, General Agricultural Cooperative

Haeba Moustafa Haeba, Manager of Administration Assembly, Ismaileya Agricultural Cooperative

Hassan Okeel, Farmer Representative, Ismaileya Agricultural Cooperative, and Member, Ismaileya Governorate Council

Abdel Shaffy Jabbr, Owner, Ismaileya Trade Company

Other

Leila El Baradei, Assistant Professor, Public Administration, Cairo University

E.H. Valsan, Professor, Management and Public Administration, American University in Cairo