

2nd Annual Golden Plough Award for Excellence in Project Supervision

Building Infrastructure and Social Capital in Rural Egypt

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Disparity in growth rates between Upper and Lower Egypt has been dramatic. While national per capita income averaged 3 percent growth annually beginning in the mid 1990s, and growth rates in metropolitan areas approached 8 percent—Upper Egypt experienced negative per capita growth rates during the same period. By 2001, Upper Egypt accounted for 37 percent of the country's population, but 65 percent of the population lived below the poverty line (UNDP 2004).

Sohag Governorate is the poorest area in Upper Egypt and exhibits some of the lowest human development indicators in the country. In 1997, when this story begins, 77 percent of its population of 3.2 million lived in rural areas, with 2.8 percent population growth despite high levels of out-migration. With some 1,900 people per square kilometer, the area had one of the highest population densities on earth. About 70 percent of Sohag's adult population and about 84 percent of its female population were illiterate. 90 percent of villages in rural areas lacked sanitation. The provision of rural services and infrastructure was characterized by highly centralized decision making, protracted bureaucratic procedures, and slow disbursement.

Yet rural development programs under similar conditions throughout Egypt recently experienced some significant successes. The most notable success was a participatory approach to rural development planning introduced in the framework of the 1994 National Program for Integrated Rural Development—known as "*Shorouk*" or "Sunrise."

SHOROUK: EGYPT'S NATIONAL PROGRAM FOR INTEGRATED RURAL DEVELOPMENT

Shorouk was developed by the Organization for Reconstruction and Development of the Egyptian Village (ORDEV) within the Ministry of Local Development, to build on the participatory methods of local council planning that were developed in projects during the 1980s. Its ultimate goal was to close the gaps between development in rural and urban areas through the efficient utilization of local resources, and expanding opportunities for productive employment by diversifying the rural economy. It mainly attained these objectives through "ever-expanding grassroots participation in all aspects of life at the rural communities' level" (ILO 2004). In the Egyptian system of public administration, the lowest level of community representation resides with village councils, above which is the district level into which governorates are divided. Governorates receive funding for small local infrastructure projects from the state, with supplemental funding from two sources: the *Shorouk* national program for rural development, and the Social Fund for Development. Each village council has a *Shorouk* committee (World Bank 2005). In 1996 when the International Fund for Agricultural Development (IFAD) and World Bank (International Development Association) began planning a co-lending operation to support a large Government of Sohag rural development program, *Shorouk* participatory approaches were already becoming well-known.



THE WORLD BANK



The United States Agency for International Development (USAID) began supporting the two-year-old program as a democratization initiative that year. Its mixed evaluation of the program was largely based on its potential as a lever to promote democratic processes. Despite a number of bureaucratic shortcomings, the potential of the young program was evident. It enjoyed clear government support and was gathering important experience in coordinating activities with other government entities, as well as experience in project design and implementation. It commanded considerable attention among rural audiences and succeeded to raise awareness of the need for greater participation by women in community planning (IFAD 2007).

THE SOHAG RURAL DEVELOPMENT PROJECT

The Project became effective in 2000, and sought to build physical infrastructure and social capital in sub-projects identified by communities. These sub-projects included village water supply and sanitation, irrigation and drainage, rural roads, and classrooms, among other infrastructure. Women, the ultra-poor, and unemployed youth in particular were priority targets. Promoting their access to credit services also entailed supporting rural financial institutions by providing funds for on-lending, increasing loan recovery rates, and introducing a variety of user charges. The Project explicitly sought to work with—and to work on—the participatory approach introduced by *Shorouk*. In addition to improving income levels and access to credit and employment opportunities, the Project sought to build local capacity to program, appraise, co-finance, carry out, and manage rural infrastructure projects and services.

All three of the Project's components relied heavily on village-level monitoring and required ongoing supervision. The first component concerned strengthening local institutions and building their capacity to identify needs and monitor project impacts—including line ministries' supervision capacity. The second component consisted of the Project's Village Infrastructure Program, which made the

articulation of operation and maintenance plans a key determinant for a sub-project's eligibility for project financing. The third component, the Rural Finance Program, would undergo a reorientation following the Project's mid-term in 2003, in which the Micro-Credit for Income Generation subcomponent would become the component's priority based on community demand.

IDENTIFYING AND SOLVING PROBLEMS

The early implementation of the Sohag Rural Development Project was beleaguered by problems that were typical of integrated rural development projects in the 1990s. As a complex integrated rural development project that involved multiple institutions at different administrative levels, the Project lacked a strong social monitoring system to oversee investments in local infrastructure in its early stage. Problems also emerged with the type of traditional agricultural credit offered by governmental financial intermediaries. The limited role of national and local sector departments in project design and in co-financing likewise proved a serious bottleneck.

By the time the midterm review of the Project in September 2003 identified these issues, only 15 percent of the project funding allocated had been disbursed.



Decisive actions taken in response to the findings of the midterm review dramatically changed the course of implementation, which ultimately led to the project's acknowledgement as the recipient of the 2006 Golden Plough Award for Excellence in Project Supervision.

The Project's credit agreement was amended to re-allocate funding across the three project subcomponents. In response to community demand for health and education services, additional funding was allocated to the Project's village infrastructure component. In addition to the resources committed to health and education services, the Bank project team collaborated closely with colleagues in the Human Development Network and successfully integrated the health and education strategies used by other active projects into local planning.

Extensive dialogue with national sector ministries led to an agreement that co-financing would be directly channeled through the departments responsible for water, schools, health facilities, and youth centers. The arrangement led to accelerated implementation, characterized by greater local ownership of the institutions supported.

The World Bank Agriculture and Rural Development Anchor reviewed a number of studies of local demand for rural finance and financial services. The review led the Bank team to scale down the rural finance component of the Project to achieve a sharper focus on micro-credit for income generation. The team established a scalable model of partnership between government financial institutions and successful non-governmental organizations (NGOs) in delivering micro-finance to the rural poor, particularly poor women. The gender dimension of the Project was further strengthened when IFAD, the Project's co-financier, also followed the review recommendations. IFAD lending was used to further leverage grant resources

for gender-relevant activities like small grants, the issuance of identification cards, and training. In fact, partnership grant resources within the World Bank and with active local and national NGOs enabled Project staff to support small programs focusing on women's capacity and legal rights. These provided a good complement to the project infrastructure and credit services. The Sohag Bank for Agricultural Credit established a unit specializing in micro-credit delivery using separate guidelines and employing loan officers in three village banks where the new delivery mechanism was piloted.

The need for a comprehensive social monitoring system was firmly identified by the midterm review. Responding to the recommendation, a cadre of trained staff and participating community representatives, known as *mandubeen*, was formed. These counterparts carried out separate monitoring and evaluation missions and arrived at a series of indicators to determine different facets of project performance. The indicators were used to gauge the level of active community participation in project activities, and the impact of project training on human capital development. Other indicators were developed to measure the effectiveness of institutional capacity

building efforts under the Project. Indicators were also used in the elaboration of annual workplans, in which feedback on recently constructed infrastructure was received from communities and then incorporated into the next planning cycle.

Supervision and monitoring in the Sohag Rural Development Project benefited from the proximity of much of the Project team, including the task team leader, who was located in the Egypt Country Office. Ready access to project sites enabled diligent and continuing follow-up to assure that the midterm review recommendations were being carried out with the desired results—

accelerated disbursement rates, prompt implementation, and regular reporting on impact and output indicators.

By 2006, the Sohag Project disbursed over 90 percent of its funds, covering every local administrative unit of the governorate. More than 400 sub-projects were undertaken in water supply, rural roads, schools, health facilities,



irrigation canals, sanitation systems, veterinary services, post offices, and social centers for women, youths, and other groups. The Project had served nearly 2.5 million people.

Sustainability

Community participation in decision making and community ownership of completed infrastructure was seen as intrinsically and necessarily related to the sustainability of project outcomes by the project's designers and managers. "Grassroots participation is a strategic goal, not just a tool [that] aims to transform the rural citizen from a receiver to a doer, a participant in the development process, as a means of ensuring the persistence and sustainability of development." (United Nations Development Programme (UNDP) and Institute for National Planning 2003). The *Shorouk* village development committee structures were utilized and enhanced, leading to a community share in investments of about 15 percent in some sectors. Community responsibility for the operation and maintenance of completed infrastructure was a matter of both ownership and capacity, and participation in investment was a salient indicator of community commitment.



Restructuring flows of funds so that budget can be allocated from line ministries at the local level was a measure that supported the longer term objective of fiscal decentralization, which also relates to the sustainability of Project outcomes. In particular, it provides a model for decentralized fund management and ownership, which enhances the Governorate's capacity to undertake integrated planning.

Replicability

The supervision experience in the Sohag Rural Development Project suggests a number of important practical lessons which have been taken up in related sector work as well as in the planning of the new rural lending pipeline. The Project's village infrastructure component, in particular, represents a model for decentralized planning, which the Government of Egypt hopes to apply in four additional governorates to the north of Sohag in Upper Egypt. Working through government institutions meant that more time was devoted to technical assistance

at the outset. However, this ultimately proved purposeful in building confidence among local authorities that project achievements could be replicated with targeted technical support.

The participatory planning structures employed by the Sohag Project were essentially adaptations of the existing *Shorouk* system. These sought to improve the performance of local development committees through targeted women's meetings, reviews of project coverage, consultations covering ad hoc issues, and the incorporation of participants' views into the monitoring and evaluation system. The emergence of such models for devolving planning roles to the governorate and district levels is particularly timely in the current context as Egypt struggles to reorient itself away from a highly centralized system of development planning and administration.

In November 2006, the Sohag Rural Development Project received the Golden Plough Award for Excellence in Project Supervision.

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