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Egypt

Review of the agrifood cooperative sector



COUNTRY HIGHLIGHTS



FAO INVESTMENT CENTRE

Egypt

Review of the agrifood cooperative sector

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COUNTRY HIGHLIGHTS

prepared under the FAO/EBRD Cooperation

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FOREWORD

The purpose of this study is to provide a better understanding of how cooperatives can contribute to the development of the agricultural sector and rural areas in Egypt and outline enabling policy changes and areas of investment. The primary audience is policy decision-makers, development partners and potential institutional investors in the agricultural sector in Egypt.

The immediate objectives of the study are:

- providing a comprehensive description of the level of development of producers' organizations (POs) and agricultural cooperatives (ACs) in Egypt based on their historical evolution, current conditions of the agricultural sector and the national socio-economic situation at large;
- assessing whether the institutional and investment environment enables the establishment, development, participation in, and growth of ACs and POs in Egypt;
- assessing the overall organizational capacity of ACs and POs with a view to understanding their strengths and weaknesses and the constraints and opportunities for their sustainable growth, including organizational dynamics, material and human resources, governance and management, financial control systems, decision-making processes, and internal and external relations;
- identifying a number of ACs/POs that are well-functioning, profitable, and have business expansion potential;
- drawing initial conclusions and recommendations regarding:
 - which policy, legislative, and/or regulatory improvements are required in order to establish an enabling environment for the development of ACs/POs, if any;
 - how the financial sector can best respond to the needs of ACs/POs;
 - which priority actions for capacity development are required to support ACS/POs in their growth and development.

The study applies a mixed quantitative-qualitative approach, integrating secondary and primary data and information. The findings based on informants' statements are triangulated with at least three sources; however, the results of the interviews are treated confidentially.

The study relies on secondary data obtained by reviewing previous related studies, theoretical references, statistical data, documentation of targeted organizations, reports and official documents from the Ministry of Agriculture and Land Reclamation (MALR), AC-related laws, by-laws, and Ministerial

Decrees, and FAO's and other international organizations' documentations and reports. Primary data was obtained through attending individual and group meetings with key persons and representative groups from:¹ the MALR, including the Minister, two of his deputies, three heads of relevant ministerial sectors, and several other high ranking officials; several members and staff members of the Central Agricultural Cooperative Union (CACU); several general cooperatives (GCs) (national level); several central cooperatives (CCs) (governorate level); several local cooperatives (LCs) (village levels); FAO Egypt Country Office (Representative and Assistant Representative).

Limitations and constraints

In general, collecting data is a complicated and time-consuming process. However, the practice was particularly problematic for this study due to the following factors:

- the large size and the overlapping structure of the AC sector, with its several vertical subsectors, horizontal levels, and supervising entities;
- the absence of a specific organization or department that possesses the required data and information;
- the absence of information systems within the cooperatives and their federations and union; or of a comprehensive government database on the cooperative sector;
- the differences, and at times contradictions, within data from different sources, partly due to diverse definitions and timing of collection and partly due to the imprecision of the data gathering processes;
- the imbalance between the large amount of qualitative primary information gathered by interviews and group discussions and the paucity of secondary quantitative data;
- the frequent changes and turnover of officials at different levels;
- the fact that many ACs are virtually inactive.

The abovementioned factors affected the work mostly in that similar issues and organizations could not always be analyzed in the same manner or with the same depth. Nevertheless, this study provides an overview of the structure of the AC sector in Egypt, assesses main opportunities and limitations for different types of cooperatives, and provides an assessment of the related institutional and policy environment, drawing on some particularly successful case studies.

This study was undertaken within the framework of the strategic objectives of the Food and Agriculture Organization of the United Nations (FAO) and the recent commitment of the European Bank for Reconstruction and Development (EBRD) to Egypt as part of its overall Southern and Eastern Mediterranean strategy. Both organizations have decided to review the status of producers'

¹ See Annex 1 for a list of interviewed persons.

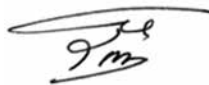
organizations (POs), in particular agricultural cooperatives (ACs), in Egypt, Morocco and Tunisia. The study "Egypt: Review of the agrifood cooperative sector" addresses the case of Egypt and was conducted between February and June 2017.



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ACRONYMS AND ABBREVIATIONS

AC	agricultural cooperative
ACC	agricultural credit cooperative
ACL	Agricultural Cooperation Law
AEC	Agricultural Export Council
ARC	agrarian reform cooperative
CAAC	Central Administration of Agriculture Cooperation
CACU	Central Agricultural Cooperative Union
CAPMAS	Central Agency for Public Mobilization and Statistics
CC	central cooperative
CEOSS	Coptic Evangelical Organization for Social Services
EAB	Egyptian Agricultural Bank
EBRD	European Bank for Reconstruction and Development
EC	elected committee
FAO	Food and Agriculture Organization of the United Nations
GACAR	General Agricultural Cooperative for Agrarian Reform
GACLRRL	General Agricultural Cooperative for Land Reclamation and Reclaimed Lands
GC	general cooperative
GDP	gross domestic product
GMPC	general multi-purpose cooperative
GTI	Green Trade Initiative
HEIA	Horticulture Export Improvement Association
JC	joint cooperative
JMPC	joint multi-purpose cooperative
LACC	local agricultural credit cooperative
LARC	local agrarian reform cooperative
LC	local cooperative
LRRLC	land reclamation and reclaimed lands cooperative
MAP	medicinal and aromatic plants
MALR	Ministry of Agriculture and Land Reclamation
MPC	multi-purpose cooperative
NGO	non-governmental organization

OPC	Office for Partnerships, Advocacy and Capacity Development
PBDAC	Principle Bank for Development and Agriculture Credit
PO	producers' organization
SC	specialized cooperative
SECO	Swiss Secretariat for Economic Affairs
SFD	Social Fund for Development
SWOT	strengths-weaknesses-opportunities-threats
UN	United Nations
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development



EXECUTIVE SUMMARY

Introduction

National context

Egypt is a lower middle-income country that is strongly dependent on inconsistent external sources of revenue, such as tourism, the Suez Canal, and remittances from Egyptians working abroad. The agricultural sector plays an important role in the national economy despite the decline in its relative importance in recent decades. Agriculture contributes about 11 percent to the gross domestic product (GDP), while its share of employment amounts to 26 percent of total employment. The main food crops grown in the country are wheat, maize, rice, sugarcane, vegetables and fruits. The agricultural sector contributes about 11 percent of total export earnings (as averaged for the period from 2012 to 2016),² with vegetables, fruits, rice and cotton dominating exports. However, throughout the period from 2002 to 2016, the deficit in the agricultural trade balance has consistently increased.

The state's role in supporting the agricultural sector has declined in terms of investment and subsidies for agricultural production inputs. Currently, state support is limited to the partial subvention of fertilizers for strategic crops (i.e. wheat, maize, rice, cotton, sugar cane and beetroot), as well as cotton pesticides. Farmers of these crops also obtain low-interest short-term credits. Similarly, state expenditure on agricultural research has drastically declined. Moreover, agricultural extension is virtually absent.

The agricultural sector faces very serious challenges, the most important of which are the extreme fragmentation of land tenure, poor marketing infrastructure and post-harvest facilities, limited agricultural manufacturing, inefficient production technologies and practices, the near absence of information systems, the absence of adequate climate change coping mechanisms, an increasing water shortage, and the low capacity of agricultural producers' institutions (especially for small-scale farmers).

An overview of the agricultural cooperative sector

Historical background: Origin and development

In 1908, the cooperative pioneer Omar Lotfy established a Cooperative Financing Company and the first agricultural cooperatives in Egypt. Until the

² Ministry of Trade and Industry, 2017.

1952 revolution, only three cooperative laws were issued; the third, which was legislated in 1944, was extremely significant: it enabled the formation of cooperative unions and established supreme cooperative councils at the central and governorate levels. Over 300 000 persons were organized in about 2 000 cooperatives, of which 80 percent were agricultural cooperatives (ACs).

Within the framework of the Agrarian Reform Program of 1952, the state established semi-governmental cooperative organizations called **agrarian reform cooperatives** (ARCs) intended to support the new small landowners benefiting from the reform. In the same year, the government also initiated various land reclamation projects and established a new type of cooperative, the **land reclamation and reclaimed land cooperatives** (LRRLCs), for the owners of the new lands. In light of the increasing orientation towards a centrally-controlled economy, a new cooperative law was issued regulating all cooperative types and sectors under a single law. The state created a third type of agricultural cooperative, the **agricultural credit cooperatives** (ACCs), which rapidly spread and covered all Egyptian villages by 1961. As a result of both strong state intervention and support, the cooperative movement lost its autonomy and cooperative membership became practically compulsory.

In 1976, the ACs witnessed a turning point through the establishment of the Principal Bank for Development and Agricultural Credit (PBDAC), a government-owned bank with branches covering all governorates and villages. The main roles of the ACs and a significant part of their assets were taken over by the bank. In 1980, Law no. 122 (which is still in effect to date) was issued, aiming to unify the regulations governing the three types of ACs. Over the course of the Structural Adjustment Program in the 1980s, governmental support to the ACs decreased, eventually becoming almost negligible. In contrast, the government maintained its supervisory and controlling role.

Overall structure

The structure of agricultural cooperatives is a pyramid consisting of the Central Agriculture Cooperatives Union (CACU) and all of the ACs that fall under it. The law that regulates agricultural cooperatives determines the four horizontal layers of the pyramid: the national level (CACU and 15 general cooperatives [GCs]), governorate level (130 central cooperatives [CCs]), district level (276 joint cooperatives [JCJs]), and village level (6 412 local cooperatives [LCs]).

Vertically, the AC sector consists of three subsectors, based on the type of land:

- ACCs in old land (80 percent of ACs), which are divided into two types: multi-purpose cooperatives (MPCs), accounting for 67 percent of ACs, and 12 segments of specialized cooperatives (SCs), accounting for another 13 percent;
- LRCs, in old, agrarian reform lands (10.3 percent of ACs);
- LRRLCs, in new lands (9.8 percent of ACs).

Table E1: Structure, numbers and membership of ACs

CACU						
Vertically	Horizontally	ACCs		ARCs (multi- purpose)	LRRLCs (mostly multi- purpose)	Total
		MPCs ³	SCs			
<i>General</i>	<i>National</i>	1	12	1	1	15
<i>Central</i>	<i>Governorate</i>	22	74 ⁴	18	16	130
<i>Joint</i>	<i>District</i>	183	–	70	23	276
<i>Local</i>	<i>Village</i>	4306	818	659	623 multi- purposed + 6 specialized	6 412
% of LCs		67.2 percent	12.8 percent	10.3 percent	9.8 percent	100 percent
		80 percent				
No. of members ⁵		3 984 000	15 431 ⁶	417 000	299 000	4 715 431
% of total membership		84.5 percent	0.4 percent	8.8 percent	6.3 percent	100 percent

Sources: Number of cooperatives: Unpublished CACU data (2017); number of members: CAPMAS, Annual Bulletin of the Cooperative Activity in the Agricultural Sector of 2014–2015, Sep. 2016; percentages: calculated based on the above data.

AC subsectors: Mapping and basic information

Agricultural credit cooperatives

The entire subsector

The ACC subsector includes two types (which are known as sub-sectors by themselves): the multi-purpose and the specialized cooperatives (based on products/value-chains). The number of all ACCs amounts to 5 416 cooperatives, representing 80 percent of all ACs. In terms of cultivated area, the local agricultural credit cooperatives (LACCS) cover about 6.5 million feddans, which constitutes 69 percent of the total cultivated area (and the vast majority of the old lands), covering all rural governorates and almost all villages. The number of

³ The labelling is a misnomer: multi-purpose ACCs are credit cooperatives that are simultaneously multi-purpose cooperatives, but they do not provide credit to their members.

⁴ The SCs that act at governorate level; however are not officially CCs.

⁵ The membership figures show slight inconsistencies; this is due to discrepancies in the related statistics.

⁶ The membership of SCs consists of two types: individual members and cooperative-members; no consistent data for the membership of cooperatives is available.

members in the LACCs is about 4 million members, constituting 83 percent of all members of ACs.

The role of local ACCs has gradually but significantly diminished, whereby their role in marketing (cotton and wheat) has become marginal, fluctuating based on governmental decisions. Besides administrative tasks on behalf of the Ministry of Agriculture and Land Reclamation (MALR), providing a part of the production inputs has become nearly the only task targeting the members in most of the local ACCs. In addition, some local ACCs have established productive projects, albeit with no benefits for the members. The weak status of activities reflects on the cooperatives' capital, which shows extremely limited growth (EGP 73 million in 2010 to EGP 87 million in 2015).

General multi-purpose cooperatives

GMPCs (general multi-purpose cooperative, also known as credit cooperatives) represent the vast majority of the ACC subsector (83 percent), and consequently of the ACs at large (67 percent). They are represented in all rural governorates. The membership of the GMPC includes 23 multi-purpose central cooperatives (all at governorate level), with which 4 440 ACs are affiliated. The main notable activity of the GMPC, which it does carry out, is providing inputs to the member cooperatives. In 2016, the main financial indicators of the GMPC were EGP 1.9 million in capital, EGP 13 million in fixed assets, and EGP 99.2 million in reserves.

Specialized cooperatives

The SCs are the second and much smaller type of ACC. Almost all regulations and mandates that apply to the MPCs also apply to the SCs. However, the SCs were established with the main purpose of marketing member products. Based on that, their membership is open to other cooperatives (of which 7 655 are members) and individuals (15 431 members). The SCs include 17 product-based segments, only 12 of which are represented by a general cooperative at the national level. SCs practically act at all horizontal levels; however, but there are no SCs officially classified as joint or central cooperatives. The total capital of all SCs in 2014–2015 amounted to about EGP 11.3 million. The majority of the SCs have very limited or almost no current activities, particularly regarding marketing, which was the main purpose behind their establishment.

Agrarian reform cooperatives

The total number of ARCs amounts to 747 cooperatives, representing about 10.3 percent of total LCs. ARCs are present at all horizontal levels and distributed across 19 governorates. The local agrarian reform cooperatives (LARCs) cover about 659 000 feddans,⁷ constituting about 7.7 percent of the total cultivated area. The number of the LARCs is constant, since their origin

⁷ 1 feddan equals approximately 0.42 hectares.

was associated with the Agrarian Reform Program introduced in 1952. The number of members amounts to 417 000 members (in 2014–2015), constituting 8.9 percent of the total number of cooperative members. ARC members are divided in two types based on their land status: those that have paid off the value of their land in full and received ownership contracts, and those that are still paying.

The main activities of ARCs are providing inputs and marketing crops. In addition, they establish and manage various productive projects.

Despite the relatively small size of the ARC subsector in terms of numbers, membership and area under cultivation by members, ARCs own approximately 54.7 percent of the total capital of Egyptian ACs. Their capital amounted to EGP 106 million in 2010–2011, and in spite of all the challenges that have been faced by the national economy, their capital increased to EGP 125 million in 2014–2015.

The General Agricultural Cooperative for Agrarian Reform

The General Agricultural Cooperative for Agrarian Reform (GACAR) is the top cooperative of the ARC subsector. Its membership includes 18 central cooperatives, to which 629 joint and local cooperatives are affiliated. Its main activities are providing agricultural inputs and marketing them. However, the GACAR also owns and runs several productive projects. In 2014–2015, the main financial indicators of the GACAR were EGP 2.6 million in capital, EGP 1.7 million in fixed assets, EGP 86 million in current assets, EGP 15.9 million surplus, and EGP 196 million reserve.

Land reclamation and reclaimed land cooperatives

There are 590 LRRLCs, representing about 11 percent of total ACs. The LRRLCs are also represented by a general cooperative at the national level. The LRRLCs serve cultivated areas amounting to about 1 455 million feddans, which constitutes 17 percent of the total cultivated area distributed across 20 governorates. In 2014–2015, LRRLC membership amounted to 299 000, or about 6.3 percent of all AC members.

The main activities of the LRRLCs are similar to the other subsectors; however, the conditions are rather different. Since most members do not yet have property rights and accordingly cannot deal with banks, they are more dependent on their cooperatives to finance the required inputs and other costs. Therefore, the cooperatives borrow the needed budget from banks and provide inputs to members on credit. As for marketing, the main product marketed by the LRRLCs is sugarcane followed by cotton (depending on the seasons).

The main source of capital accumulation in LRRLCs is from membership fees and the surplus generated by the sale of production inputs. Thus the capital

increases alongside the size of membership. In 2010–2011, the LRRLCs' capital amounted to EGP 8.6 million and increased to EGP 14.2 million in 2014–2015.

The General Agricultural Cooperative for Land Reclamation and Reclaimed Lands

The membership of the General Agricultural Cooperative for Land Reclamation and Reclaimed Lands (GACLRRRL) includes 16 CCs, with which 632 joint and local cooperatives are affiliated, distributed across 18 governorates. The general cooperative provides inputs and marketing support to the LRRLCs below in the pyramid. In 2014–2015, the main financial indicators of the GACAR were (in EGP million): capital 0.2, fixed assets 8.1, surplus 3.9, and reserve 36.9.

Formation and roles of cooperatives: The horizontal levels

Local cooperatives

LCs acting at the village level form the base of the AC sector. The total number of LCs amounts to 6 412 cooperatives. The majority of the LCs is affiliated with the MPC subsector (4 306); however, they also include SCs (818), ARCs (659), and LRRLCs (623). The General Assembly of the LC consists of all shareholders (members), who elect the Boards. As for the manager, the government nominates two agricultural engineers from the MALR to serve as the manager of the LC; and the Board has to select one of them. The manager continues to receive his/her salary from the MALR; however, the LC has to pay additional fees to provide an additional incentive to take the role.

The purpose of the LCs is to support its members through services and marketing and participating in rural development. The law determines particularly important tasks such as deciding on crop patterns of agricultural cycles, helping organize land cultivation, undertaking cooperative marketing of the members' crops, providing credit to the members, and providing, managing, and maintaining agricultural machinery, as well as planning and implementing local productive projects. Similar to the other higher horizontal levels, most of those tasks are not actually practiced, or are practiced to a very limited extent.

Joint cooperatives

JCs are formed at the district level to consolidate their member LCs and should assist them in all fields of performance. The formation of JCs is not obligatory and is restricted to MPCs. Therefore, JCs do not exist in all governorates. In total, there are 276 JCs. The General Assembly consists of the members of the Boards of the member cooperatives. The Board of a JC comprises elected members of the affiliated LCs.

The purpose of the JCs is to support their constituent cooperatives and assist them in performing their roles. The law includes some of the tasks to be played by the JCs such as managing the use of agricultural machines, establishing

workshops for maintaining the machines owned by the LCs, developing and managing agro-processing projects and rural industries, building stores or cooling houses for agricultural inputs and products, and providing transportation services to members. Nevertheless, these tasks are generally not carried out.

Central cooperatives

The CCs are formed at the governorate level by affiliated JCs. Only MPC are formally (legally) organized into “central cooperatives,” although SCs can also form unions of local cooperatives at governorate level. Therefore, although 74 SCs act at the governorate level, they are not legally CCs. There are 56 officially-acknowledged CCs, distributed among the main three subsectors (22 ACCs, 18 ARCs and 16 LRRLCs). The General Assembly of CCs and SCs at the governorate level consists of one representative from the Board of each of the member cooperatives. The Boards of the CCs are elected from and by the General Assembly.

The purpose of the CCs is to support their constituent cooperatives and assist them in performing their roles. The law includes some of the tasks to be played by the CCs, such as establishing and running an auditing unit that supervises ACs in the governorate, establishing and managing agro-processing projects and rural industries, spreading cooperative awareness, and providing the necessary spare parts for cooperatives and machinery. Generally, only the first two tasks are performed by the CCs.

General cooperatives

There are currently 15 GCs, which include the three main subsectors (ACCs, ARCs and LRRLCs), as well as 12 SCs. The General Assembly of the GCs consists of the Boards of Directors of all their member cooperatives. The Board of Directors of a GC consists of representatives of the member cooperatives at the governorate level, in addition to one member nominated by the MALR.

The purpose of the GCs is to assist its member cooperatives at the governorate level in fulfilling their tasks. The law includes some of the tasks to be played by the CCs, such as providing machinery and agricultural inputs, marketing, exporting, establishing large projects, and supervising the overall status and activities of affiliated cooperatives. The actual activities of the majority of GCs are restricted to providing inputs and, in some cases, establishing productive projects.

The Central Agricultural Cooperative Union

CACU’s membership is composed of multi-purpose and specialized general cooperatives as well as all central agricultural credit cooperatives. The General Assembly of CACU is composed of the board members of the above-mentioned cooperatives – they amounted to 784 members in 2017. The law sets the minimum number of directors sitting on the CACU Board at 30. CACU acts

through three main mechanisms: eight specialized committees, the Center for Cooperative Development, and the Fund for Support of Weak Cooperatives. The financial resources of CACU are made up of the shares paid by member cooperatives and funds from donors, in addition to the 3 percent of the surplus of ACs that is allocated for the Fund for Support of Weak Cooperatives.

The AC law does not include a statement about the general purpose of CACU. However, it outlines its tasks as: participating in planning the cooperative movement, coordinating between GCs, advocating for the AC movement, supervising cooperative training, holding an annual AC conference, representing the ACs abroad, coordinating with other cooperative sectors, suggesting legislation related to ACs, and defending the interests of ACs. Most of those tasks are performed to a very limited degree and some of them are absent or nearly absent from the CACU agenda.

Enabling and hindering factors

The study identified the primary factors that impact the AC sector, synthesized in a strengths-weaknesses-opportunities-threats (SWOT) analysis. This summary is followed by a more detailed discussion of the most important challenges facing the ACs, divided in (i) the legal and policy environment and (ii) the sector's internal factors.

Results of the SWOT analysis

Strengths

The main identified strengths of the AC sector are: the geographically wide and thematically holistic coverage of the ACs, the broad membership base, the high value of the assets owned by ACs (offices, storages and real estate), the historical relationship between farmers and ACs, as well as the ownership of some productive and profitable ventures.

Weaknesses

The main identified weaknesses of the AC sector are: the lack of cooperative awareness, the weak institutional capacities of the ACs, the complicated cooperative structure, the overlapping and duplication of tasks and mandates of the different levels and subsectors, the (near) absence of the principle of cooperation between cooperatives, the unbalanced representation of ACs in CACU, the small size and the weak financial capacities and boards of most LCs, the lack of incentives for members to actively engage in transactions with their cooperatives (marginal advantages), the lack of transparency and democratic practices, and the lack of marketing and post-harvest facilities.

Opportunities

The main identified opportunities that can be exploited by the AC sector are: the pressing and strategic need for well-functioning ACs, the acknowledgment

and the officially positive attitude of the state towards the cooperative sector (as stated in the constitution and national strategies), the official orientation towards encouraging contract farming (which is often enabled by farmers' organizations), the higher priority given to domestic food production and therefore to the agricultural sector (due to the devaluation of the exchange rate of the EGP), the recent amendments to the Agricultural Cooperatives Law, which improved the conditions of cooperative work (to a limited degree), particularly the stipulation of the right of cooperatives to establish companies, and the increasing international recognition of the importance of small farmers and their organizations in securing food production and decent living standards.

Threats

The main identified threats that can hinder the development of the AC sector are: the lack of cooperative awareness among society and policymakers, the inconsistencies of the current cooperative regulations with a free market economy, the frequent changes in the leadership of governmental institutions responsible for the ACs, the absence of a comprehensive vision to develop the AC sector, the lack of clarity and stability of agricultural policies, the severe competition the ACs have to deal with against the Egyptian Agricultural Bank (EAB) and the private sector, and the cultural and political barriers regarding grassroots movements at large.

The policy and legal environment

Agricultural cooperatives in national strategies and agricultural policies

The most recent national strategies that address the ACs are the Strategy of Agricultural Development in Egypt until 2017 (launched in 2003) and the Sustainable Agricultural Development Strategy towards 2030 (launched in 2009). Both strategies reflect a positive, supportive attitude towards ACs; however, they are barely taken into consideration when decisions are made at governmental level. Moreover, development of the ACs was not explicitly or implicitly considered in the frame of any of the 18 policy areas, the 12 national programmes, or the 58 sub-programmes included in the 2030 Strategy. This means that the strategy does not appropriately address ACs by setting specific programmes or policies that target their development. However, it has the potential to be supportive of any interventions or self-initiatives aimed at developing and strengthening the ACs. At the policy level, there is a lack of clear and relatively stable agricultural policies; decisions are usually made based on under ad-hoc conditions that can dramatically change from one year to the next. Generally, policies are not explicitly endorsed and announced as such, but rather communicated as operational decisions.

Legislative framework

All the AC subsectors are governed by one law, the Agricultural Cooperation Law (ACL), No. 122/1980. The ACL acknowledges the international cooperative

values and principles⁸ and is widely built on them. However, there are some significant deviations from the international cooperative norms, mainly regarding voluntary and open membership, as well as independence and democratic member control. The cooperatives are still seen as an executive arm for the MALR and therefore face heavy governmental intervention.

The current ACL still reflects the core transformations brought about by the 1952 revolution in terms of the understanding of cooperatives and their role. Accordingly, they have been transformed from democratic, independent, self-assisting organizations that work towards the interests of their members, to organizations that primarily serve as a tool for the state. This constitutes several obstacles that hinder the development of the AC sector.

Financial resources and regulations

The law determines eight sources from which the AC should draw its capital: members' shares, capital quotas (additional optional members' shares), legal reserves, deposits and savings from members, surplus from marketed crops, surplus achieved from economic activities, loans necessary for operational activities, donations, and subsidies provided by the state or other legal persons.

Moreover, the distribution of the surplus recorded by the AC in each fiscal year is determined in the law as fixed percentages as follows: at least 20 percent to the legal reserve, 5 percent to social and charity services, 5 percent for public services and spreading cooperative awareness, 5 percent for cooperative training, 5 percent to supporting agricultural labor and cooperative staff, 3 percent to support weak cooperatives (the fund at CACU), and a maximum of 10 percent for board members' incentives. The remaining surplus can either be distributed among the cooperative's members as a return for their transactions with the cooperative or added to the legal reserve instead (which is the norm for ACs in Egypt). Surplus that results from the cooperative's transactions with non-members is not to be distributed among members but to be added to the legal reserve.

As for profits achieved by productive projects/enterprises owned or managed by the cooperative, these should be considered "project reserves" and assigned to cover the cost of these projects, after deducting 10 percent for the legal reserve of the cooperative.

⁸ The standards for legal and policy frameworks under which cooperatives are defined and operate are established by three texts that serve as international reference points for cooperatives' values and principles and explore what a supportive environment for cooperatives development should entail. These texts are: (i) the 1995 International Cooperative Alliance (ICA) Statement on the Cooperative Identity (ICA, 1995); (ii) the 2001 United Nations Guidelines aimed at creating a supportive environment for the development of cooperatives (UN 2001); and (iii) the 2002 International Labour Organization (ILO) Recommendation No. 193 concerning the promotion of cooperatives. The ICA Statement defines cooperative principles and values.

There are several bodies responsible for the auditing of ACs, which are: the Technical Unit of CACU, the Cooperative and Financial Follow-up General Directorate (at MALR), and the Accountability State Authority. However, cooperative members rarely receive any surplus from their transactions and are seldom aware of the uses of the surplus that their cooperative generates. This provides little incentive to transact voluntarily with cooperatives except when they trade subsidized goods.

Governmental interference

The interference of the supervising administrative bodies in the cooperatives' work still constitutes a main obstacle. It limits the cooperatives and deprives them of the flexibility and efficiency that are available to the private sector. The supervising administrative bodies have the right to be represented in LC board meetings and to nominate members to the boards of the higher cooperative levels. Moreover, they can object to board decisions and they have the last word in selecting the managers of the local ACs. As a result, the cooperatives are largely dependent on individual differences between officials in terms of their understanding of the legislative framework, as well as their attitude towards the cooperatives. Moreover, AC employees are usually appointed from the MALR and the headquarters of the cooperatives are usually used for ministry employees.

Inside the cooperative edifice

Lack of cooperative awareness

There is a lack of awareness from base to top of the AC sector that applies to almost all aspects and issues relating to the sector, including the understanding of the ACs role as defined by the legislative framework, their relationship to supervisory governmental bodies and the limits thereof, the structure of the ACs, and the rights and duties of their members. This gap severely affects the sector since it has resulted in a lack of sense of ownership on the members' part towards their cooperative, and accordingly a deficiency in the members' interest and engagement in issues concerning their cooperatives.

Limited financial capacity and lack of adequate credit sources

Most ACs do not have sufficient funds that would enable them to effectively support their members' activities, run businesses, or compete with the private sector in light of current market conditions, nor is there any trend towards capital accumulation. Important factors contributing to the weak financial status of the ACs are: the absence of a cooperative advantage (such as democratic control) which would encourage members to prefer dealing with their ACs, the absence of a well-functioning cooperative bank, the devaluation of members' shares due to the high inflation rates, the small business size of most of the LACs, the poor human resources and particularly their limited management capacities, the lack of technical, agricultural, or marketing knowledge and access

to information, as well as the limited capacities of CACU and the General Cooperatives to support the ACs.

Weak institutional capacities

As a result of the previous issues, cooperatives suffer from weak institutional capacities, whether in terms of human resources, operations and systems, or physical equipment. Cooperatives do not have the ability to appoint managers and staff with adequate skills. Training activities are largely pro forma and do not result in notable improvement in performance. Moreover, the cooperatives lack clear procedures and guidelines for operation. With regards to the physical capacities, the headquarters and offices in most cooperatives are in poor condition and cooperatives' facilities do not have the basic equipment necessary to undertake their operations.

Weak boards of directors and democratic practices

The performance of most boards is very weak, and often the majority of the board members have occupied their positions for long periods and are re-elected in a pro forma manner. Traditions and lack of cooperative awareness play an important role in this regard; however, the law also stipulates eligibility conditions for boards that narrow the number of potential candidates to a minority of mostly old and less-educated persons.⁹

Structural discrepancies

The structure of the cooperative sector is extremely complicated and suffers from significant deficiencies. Among the most critical of these is the division of the sector into three subsectors, which have the same mandates and act under the same law. The horizontal cooperative hierarchy of each sub-sector adds to the complexity of the system and makes it less efficient and transparent, particularly since all these layers act as distributors of inputs, rather than real service providers to their members. Another important discrepancy in the cooperative structure is the overly small agricultural areas and consequently business sizes of many LCs, which prevents them from gaining the scale that would allow to have effective management structures.

Conclusions and recommendations

Conclusions

- There is a large number of small farmers in Egypt that could benefit from more effective farmers' organizations.
- ACs are the main and most important agricultural production organizations, with potential to confront the above-mentioned challenges.

⁹ For example, candidates need to have been farmers for more than 10 years and cannot have relatives up to the fourth degree in the same board; incentives to participate are very low.

- Due to several internal and external obstacles in the sector, there is an enormous discrepancy between the roles currently performed by ACs versus the roles they should play. There is an overwhelming perception that the base (local) level of the ACs serves the interests of the higher levels, rather than the opposite.
- This perversion of the roles of the ACs gave rise to chronic deficiencies of the AC sector, first and foremost: the unclear identity of the ACs; the marginalization of the role of members and boards of directors; the absence of ownership over the ACs among their members; loss of the capacity for effective self-management; transferal of the government's bureaucratic nature; inability to economically run the ACs; and the inability to create notable cooperative benefits/advantages for their members. They also do not enjoy the flexibility in governance and capital formation or profit-orientation that private sector companies have.
- This issue is inherently tied to the near-complete absence of awareness of cooperative principles, values and benefits, including the understanding of the concept of cooperatives and the status of cooperatives as organizations, as well as knowledge of their structures and roles, and the rights and obligations of their members.
- Institutional weakness represents a serious challenge facing the ACs, with the most important manifestations being the lack of human capacity of managerial staff and boards of directors, the lack of communication between members, staff, and boards, the lack of clarity regarding mandates and authorities, the poor financial management administrative system, and the lack of vertical and horizontal integration.
- The majority of ACs suffer from weak financial positions, which (in addition to the above factors) are attributable to the decline in the value of shares and the size of business, the absence of a credit provider (a cooperative bank or fund), and the inability of the majority of cooperatives to make optimal use of the assets and funds available to them.
- Poor governance and a lack of democratic practice are also internal weaknesses of the AC sector. The majority of the Boards are elected through pro forma procedures and according to regulations that mostly lead to electing older and less-educated farmers.
- In addition to the aforementioned internal weaknesses, there are wider-ranging issues that relate to the legal environment and the lack of clear, consistent and stable policies regarding ACs (or even agricultural policies at large), as well as the governmental interference in the management and the operations of the ACs.
- In relation to the previous point, there are structural deficiencies that also diminish the effectiveness of the ACs, most importantly the division of the AC sector into three subsectors. Additionally, the hierarchical structure

within each subsector leads to a complicated overall structure in which specializations and tasks overlap and intersect.

- In spite of the significant structural and legislative obstacles, there is still enormous development potential under the existing cooperative law and structure that has not yet been exploited. Moreover, many of these obstacles can be bypassed through changing by-laws and ministerial decrees, raising cooperative awareness, developing the institutional capacities of the ACs, and adopting simpler internal regulations and procedures. This is confirmed by the successes of some cooperatives that have developed within the same framework due to individual factors e.g. higher levels of awareness, more educated and active managers/heads/boards, and/or an open-minded, responsible official.

Recommendations¹⁰

- There are major opportunities for urgent short- and medium-term interventions that can significantly contribute to transforming cooperatives into effective, self-reliant organizations that support their members, while also boosting agrarian and agricultural development and food security. This does not necessarily require core structural changes or the adjustment of the legislative framework, or the provision of enormous levels of funding.

Targeting potential interventions

- Priority should be given to the ACCs subsector (both multi-purpose and specialized) since they represent the vast majority of the ACs and include the vast majority of their members. In contrast to the agrarian reform and the land reclamation subsectors, the ACCs are permanent by definition, while the other two subsectors are, theoretically (and partially de facto) of a transitional nature.

Wide-scale interventions

- Ultimate priority must be given to raising the cooperative awareness, restoring cooperative identity and recreating their image. This is a preliminary consideration for any significant development of the AC sector. Awareness-raising activities should target AC leadership members on all levels, governmental entities related to cooperative work and relevant decision-makers, in addition to the general public. In this regard, traditional and non-traditional tools should be used, such as workshops, television programmes, posters, websites and text messages.

¹⁰ Factors that create a more enabling environment, particularly legislative and structural frameworks, are not directly addressed in the above-mentioned recommendations. This does not mean they are unimportant. However, the author has decided to focus her recommendations on practical achievable changes under the current circumstances in Egypt.

- In parallel with, and complementary to, the previous point, institutional development should constitute the core of potential interventions to support ACs. Institutional development should not be limited to simply training members; rather, the concept can be expanded to shaping the institution, particularly through developing administrative, financial and communications systems.
- With regards to improving the administrative and financial systems, it is recommended that potential interventions should develop and endorse standard, simple internal regulations, administrative procedures, and a unified accounting system. For that purpose, the establishment of an Institutional Development Unit at the CACU should be considered.
- Computerizing the ACs would not only increase their efficiency but also improve transparency and communication and information systems. A potential intervention on improving information and communication systems should start with the higher levels of the AC structure, as well as with the cooperatives targeted for any pilot intervention, and from the creation of an updated database for the AC sector should be created.
- Strengthening the role of CACU and improving its performance is essential for the development of the AC sector. This can be started by activating and improving the existing training center and the Fund for Supporting Weak Cooperatives affiliated with CACU. Moreover, it is recommended to create and build the capacities of four new units within CACU: a Cooperative Auditing Unit, a Cooperative Guarantee Fund, a Technical Support Unit, and a Credit Services Unit (to advise ACs regarding possible sources of credit and to facilitate dealings with relevant institutions).

Possible pilot interventions

- Develop models that reflect, as much as possible, how ACs should function and serve their members. Ideally, this model should include a vertically integrated bottom-up line, i.e. one or more LCs, the JC to which they belong, the CC which they are affiliated with, and the GC above all of them. In the event that this is not possible, the second-best scenario would be to undertake major development procedures at the local level, while providing some support and incentives to the higher levels. Main suggested activities are: computerization of procedures; integrating local cooperatives; establishing cooperative enterprises; promoting and facilitating contract farming; aggregating small plots into collective farming; introducing agricultural best practices; providing extension services; inputs, and equipment; linking farms to markets and providing marketing services; and establishing a Risk Insurance Fund and a Cooperative Savings and Lending Fund. Cooperatives should also benefit from activities that create gender awareness and promote gender equality.
- Develop models for promoting “Distinguished Cooperatives” that have already achieved a higher institutional standard and volume of activity, have

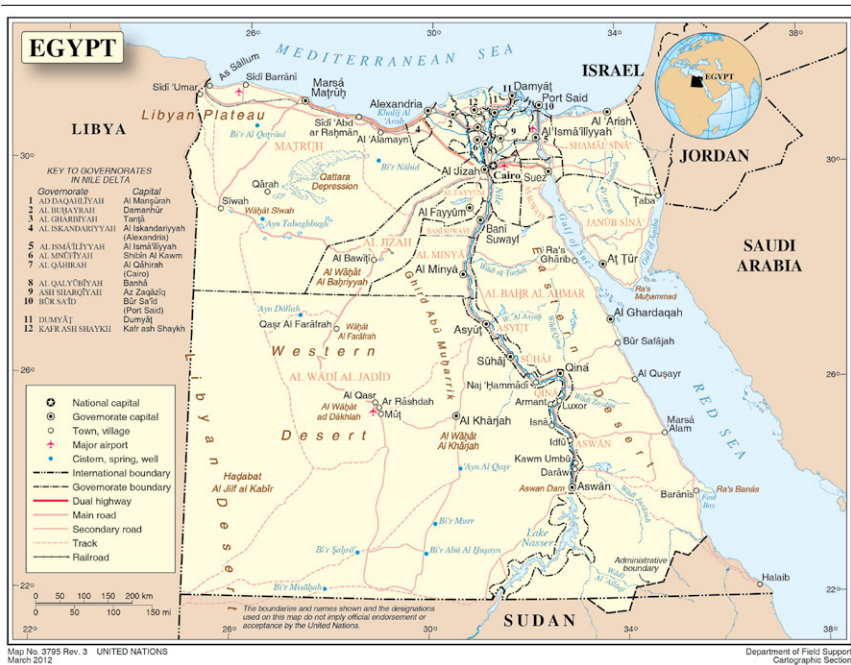
relatively large capital bases, and are managed to a professional standard, but which still need to be boosted to an optimal level. The set of activities recommended here is not dramatically different from that of the first group. Among the most important areas to be focused on in the framework of such pilots are: increasing the value addition through post-harvest procedures; qualifying cooperatives for export and supporting their access to export markets; and establishing industrial enterprises.

Chapter 1 – Introduction

1.1 National context

With an area of 1 001 449 km², Egypt is connected to both North Africa and Southwest Asia. Egypt has coastlines on both the Mediterranean Sea and the Red Sea, and borders Libya to the west, the Gaza Strip and Israel to the northeast, and Sudan to the south.

Figure 1: Map of Egypt



Source: www.un.org

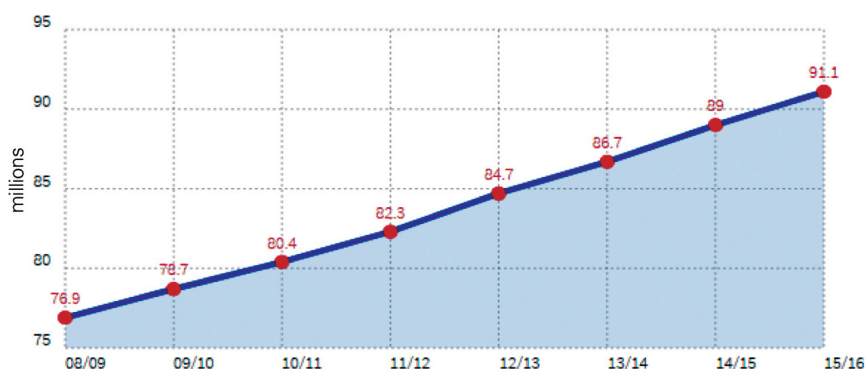
Topographically, Egypt is divided into four major parts:

1. The Nile Valley and Delta, which is split into Lower Egypt (from North Cairo to the Mediterranean Sea) and Upper Egypt (from Wadi Halfa to the south of Cairo)
2. The Western Desert
3. The Eastern Desert

4. The Sinai Peninsula

Egypt is the most populous country in North Africa and the Arab world and ranks number 15 worldwide in terms of population. Based on the latest United Nations estimates, the current population of Egypt amounts to 95 147 726 (June 21, 2017).¹¹ The urban and rural breakdown are approximately 40 percent and 60 percent, respectively. After years of a decreasing population growth rate (registering 1.8 percent in 2008), this rate took a turn towards increasing since 2009, reaching a peak in 2013 (2.28 percent) before once again tending to decreasing, reaching 1.96 in 2017 (Figure 2).

Figure 2: Population development in Egypt, 2008–2016



Source: American Chamber in Egypt, <http://www.amcham.org.eg/information-resources/economic-indicators>.

The age structure is as follows (2016):

- 0-14 years: 33.21 percent
- 15-24 years: 19.24 percent
- 25-54 years: 37.47 percent
- 55-64 years: 5.91 percent
- 65 years and over: 4.17 percent¹²

The overwhelmingly young population constitutes a great challenge due to the increasing need for spending on education and job creation. Yet, it is simultaneously an opportunity to rejuvenate the workforce.

¹¹ All population data is adopted from Worldometers (<http://www.worldometers.info/world-population/egypt-population/>).

¹² http://www.indexmundi.com/egypt/age_structure.html#sthash.0WvQ89i.dpuf

Egypt is a lower middle-income country. The country depends strongly on volatile external sources of revenue such as tourism, income from the Suez Canal, and remittances from workers in Arab oil-producing countries. These revenues fluctuate in accordance with the domestic situation (in the case of tourism), the global economic situation, and labor policies in the oil-producing countries. This makes it difficult to overcome the most important socio-economic barriers impeding Egypt's transformation, as there are only minimal domestic economic opportunities. High levels of poverty and illiteracy and traditional gender relation patterns further constrain economic performance. Nevertheless, during the last decade, the country witnessed a high economic growth rate.

From 2003 to 2007, the country recorded an annual economic growth rate exceeding 7 percent. However, in response to the world economic crisis, the growth rate declined to 5 percent between 2008 and 2010. Nonetheless, in all cases, the economic growth did not translate to better living conditions for many Egyptians and the share of the population living below the national poverty line is above 25 percent.

After the revolution of 2011, economic growth was negatively affected by the political turmoil, resulting in an economic slowdown and inflation, the latter of which recorded 33 percent over the period from 2011 to 2013. The rate of people living below the national poverty line¹³ then increased from 21.5 in 2008 to 26.3 percent¹⁴ of the total population. Moreover, approximately an additional one-quarter of the population has an income that is only marginally above the poverty line.

1.2 Agricultural sector overview

1.2.1 Contribution to the economy

Agricultural production in Egypt still plays an important role in the national economy despite the decline in its relative importance in recent decades. It contributes to the overall food needs of the country, provides domestic industries with raw materials, and adds to export revenues, in addition to generating income for agricultural laborers as well as wholesalers, processors, exporters and transporters of agricultural commodities.¹⁵

Agriculture's contribution to gross domestic product (GDP), has witnessed a clear slowdown from a fairly steady 18 percent in 1980 and 17 percent in 2000 to about 12 percent in 2016.¹⁶ However, agricultural employment as a share of total employment has not declined in the same way and still amounted

¹³ The poverty line adopted was EGP 3 920 per person per year, approximately USD 570 using 2012/13 exchange rates.

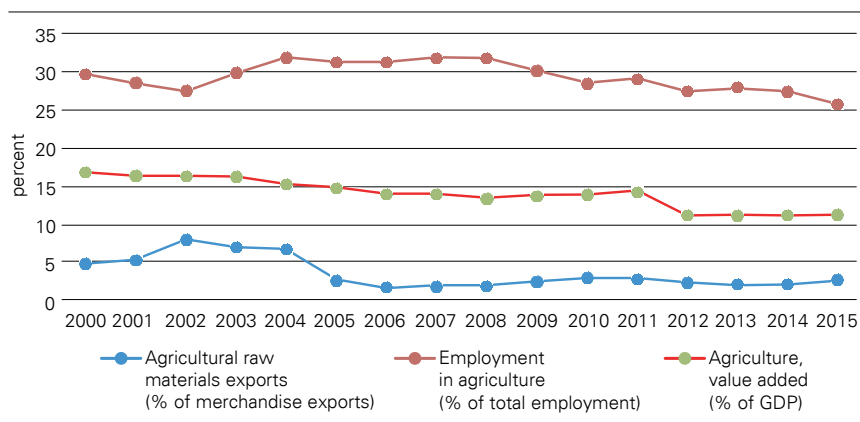
¹⁴ World Bank (2017). Poverty and Equity data Portal.

¹⁵ ICTSD, 2017.

¹⁶ World Bank.

to almost 26 percent in 2015 compared to 30 percent in 2000 (Figure 3). Agriculture in Egypt is still labor-intensive; productivity of labor in agriculture, measured as agriculture value added per worker in constant USD, only increased by around 1 percent on average during the last decade¹⁷ (Figure 4).

Figure 3: Agriculture's contribution to the Egyptian economy, 2000–2015

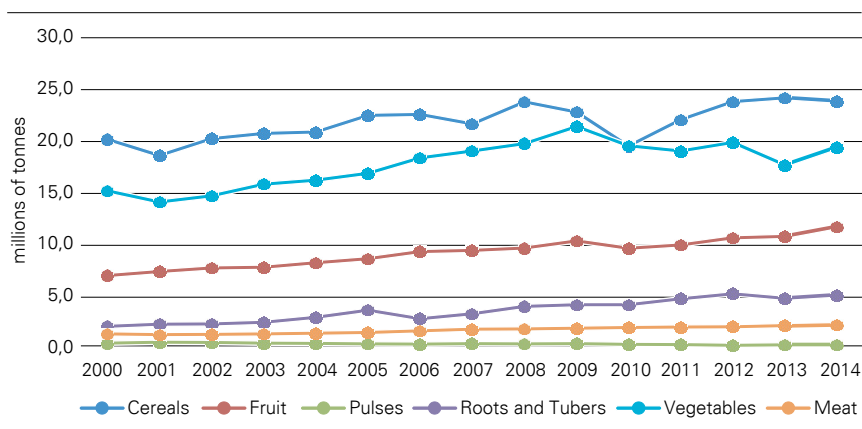


Source: World Bank, WDI database, April 2017.

The main crops grown in the country are wheat, maize, rice, sugarcane, vegetables and fruits. The crop subsector contributed about 61 percent of the value of gross agricultural production in 2013¹⁸ (Figure 4).

¹⁷ ICTSD, 2017.

¹⁸ FAOSTAT, 2017.

Figure 4: Production of main agricultural commodity groups in Egypt, 2000–2014

Source: FAOSTAT Database, April 2017.

1.2.2 Agricultural trade

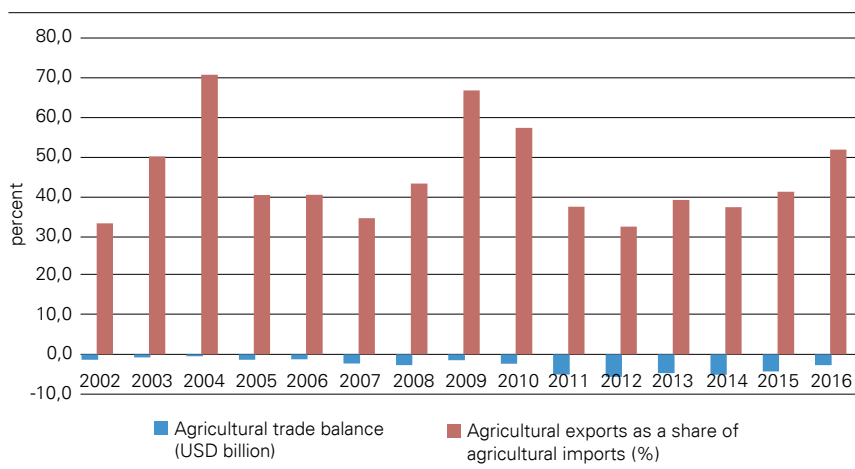
The agricultural sector contributed on average about 11 percent of total export earnings from 2012–2016¹⁹ with vegetables, fruit, rice and cotton dominating. During this period, Egyptian foreign trade of agricultural commodities saw positive developments with a remarkable raise in export value. At the same time, the value of imports increased, reflecting a constant increase in the deficit of the agricultural trade balance from 2002–2016.

Deficits in the agricultural trade balance have been continuous over the last two decades: In absolute terms, it increased from USD 1.3 billion in 2002 to USD 5.7 billion in 2012, before decreasing to USD 2.7 billion in 2016. The percentage of the agricultural trade deficit as part of the total trade deficit increased from 16.7 percent in 2002 to 21 percent in 2007 before reaching 7.1 percent in 2016.

In addition to the absolute increase in the agricultural trade deficit over the last two decades, agricultural export revenues relative to agricultural import costs also increased during the study period (Figure 5). This means that Egypt's agricultural exports increased in relative terms when compared to the country's agricultural imports.

¹⁹ Ministry of Trade and Industry, 2017.

Figure 5: Changes in trade of agricultural products in Egypt, 2002–2016



Source: Database of the Egyptian International Trade Point.

1.2.3 Agricultural strategies and policies

Strong dependence on food imports and exposure to high and volatile global food prices have been among the leading concerns of policymakers in Egypt for decades. Heightened food security concerns are reflected in the importance assigned by the government to basic food commodities in both its 2017 and 2030 strategic development plans. For instance, in the five-year strategic development plan 2012–2017, the government looked to increase wheat production to reach a self-sufficiency level of 74 percent by 2017. In the revised plan for 2015–2030, this target level is maintained for 2017 and set at 81 percent for 2030.²⁰

1.2.4 State support to the agricultural sector

Overall, the state's role in supporting the agricultural sector has declined in terms of investments and subvention of production inputs. Currently, state support is limited to the partial subvention of fertilizers for strategic crops (i.e. wheat, maize, rice, cotton, sugar cane and beetroot) and cotton pesticides. Farmers of the abovementioned crops also obtain low-interest, short-term credits (so-called "crop credits"). For those crops, interest rates are approximately 6 percent and the credit duration 6 months (1 year in the case of sugarcane). Whenever farmers fail to pay the debt on time, these credits automatically become "investment" credits at higher interest rates (13–

²⁰ ICTSD, 2017.

16 percent in addition to administrative fees). The total of farmers' subventions amounted to EGP 5.179 billion in 2016/2017.²¹

Similarly, state expenditures on agricultural research have declined drastically. Moreover, agricultural extension is virtually absent in many areas, since no extension engineers have been appointed since 1982 and the respective state budget was reduced.

1.2.5 Central challenges in the agricultural sector

The agricultural sector faces numerous challenges, the most important being:

- the fragmentation of land tenure; according to MALR data, approximately 85 percent of tenures comprise fewer than 3 feddans. In fact, the situation is far worse since these lands were subject to several generations of inheritance and divided into increasingly small areas without any changes to the officially registered ownership;
- poor marketing infrastructure and post-harvest facilities as well as limited agricultural manufacturing, which have led to drops in the value added to agricultural production;
- outdated production technologies and practices;
- the (near) absence of information systems for agriculture;
- climate change and the challenges it represents in the absence of adequate adaption measures for farmers;
- the increasing water shortage, which is exacerbated by poor irrigation techniques and the lack of integrated water management;
- the new land leasing law, which has led to the absence of secure tenure and raised leasing value;
- the overall economic situation including the devaluation of the Egyptian pound and concurrent inflation, which have led to sharp rises in production costs that small farmers cannot accommodate through increasing the product value due to their weak market position;
- the poor or nearly non-existent small farmers' institutions (cooperatives or other POs);

Due to the above, agricultural production has become a partially or entirely unprofitable occupation that cannot sustain livelihoods.

²¹ Ministry of Finance, The State Budget for the fiscal year 2017/2016 (<http://www.mof.gov.eg/Arabic/Pages/Home.aspx>).

■■■■■ Chapter 2 – An overview of the agricultural cooperative sector

2.1 Historical background: Origin and development

Agricultural cooperatives in Egypt cannot be understood separately from their historical context. This history encapsulates the relationship between ACs, their members and government, and the factors influencing their current work.

The history of Egyptian ACs, which widely reflects the history of the cooperative movement in Egypt at large, goes back more than 100 years. This history is marked by significant milestones that divide it into four phases.

2.1.1 The first phase (1908–1927)

The prospects for cooperative organizations in agriculture and among consumers were initially promoted in 1908 by Omar Lotfy, a lawyer and leading pioneer in the Egyptian cooperative movement. The first cooperative institution was the Cooperative Financing Company, located in Cairo, and was followed by 17 agricultural cooperatives. The initial response to those efforts was limited, mainly due to the lack of government support for the movement and the absence of any legislations to organize it (Frankhauser, 1953). The outbreak of the First World War halted action in this regard, and the cooperatives gradually went out of business (Shaffer, 1999). Nevertheless, Lotfy's attempt paved the way for the first cooperative law no. 27 in 1923, whereby the government considered cooperatives as a possible means for combating the high cost of living and increasing the income of farmers. However, the organization of new societies was restricted to agricultural cooperatives. Consequently, the Ministry of Agriculture and Rural Development was given the responsibility for the organization and supervision of the societies, and a Cooperative Department was established in the Ministry for this purpose.

2.1.2 The second phase (1927–1952)

The law no. 23 in 1927 permitted the establishment of cooperatives in different fields. A financial portfolio was established in a separate account at Banque Misr aimed at providing cooperatives with credit (Rashad, 1994). By the end of 1930, a total of 297 cooperatives had been formed. In 1931, the government established the Egyptian Bank for Agricultural Credit (Crédit Agricole Egypt) with a primary mandate to provide loans to small farmers and cooperatives. However, due to the complicated loan processes and the fear of losing their lands, small farmers did not end up being the primary clients of the bank (Frankhauser, 1953).

In 1939, the Cooperative Department was transferred to the Ministry of Social Affairs. During the Second World War, cooperatives were used to undertake the official food production and distribution. In 1944, the cooperative law witnessed a new amendment in the form of the Cooperative Societies Law

no. 58, which consolidated the control of the Cooperative Department over the cooperatives. However, it made provisions for greater participation of members in the issues that affected them. Under this law, the cooperative movement experienced significant development; cooperatives unions were formed, supreme cooperative councils were established at the central and governorate levels, and the cooperatives were able to scale and obtain some economic advantages, such as increased bargaining power. This resulted in a significant increase in the number of cooperatives and their members. In 1940, there were 821 registered cooperatives with 85 271 members. In 1945, the number of cooperatives increased by about 146 percent, registering 2 018 cooperatives, and the number of members increased by about 230 percent to 281 812.²² At the time, 80 percent of the cooperatives were agricultural cooperatives, and about two-thirds were located in Lower Egypt (Nile Delta).

2.1.3 The third phase (1952–1976)

The 1952 revolution saw the launch of a new age for the Egyptian cooperative movement; on the one hand, the number, roles, coverage, and membership of the cooperatives saw a great leap. On the other hand, the actual nature and philosophy of the cooperatives radically changed in favor of the concept of semi-governmental organizations, aiming not only to support their members but also, and even primarily, to support national development plans.

The first step of this change came in the framework of the Agrarian Reform Program. This entailed dispossessing owners of vast agricultural lands and redistributing them among large number of landless farmers. A new type of small farmer emerged – one who had just gained land from the Agrarian Reform Program – characterized by limited capital ownership (some were still paying for the lands they received) and technical capacities. In order to support these new landowners, the state established semi-governmental cooperative organizations, the Agrarian Reform Cooperatives (ARCs). The Agrarian Reform Law sought to organize the cooperatives under its provisions as safeguards against failure. Accordingly, the new cooperatives established under this law were (and still are) subject to a high degree of governmental involvement and control. However, this was combined with serious cooperative development efforts and assistance (Frankhauser, 1953).

Shortly after the 1952 revolution, the government also initiated various land reclamation projects in an attempt to increase the total area of cultivated land. Due to their specific mandate, a new type of cooperative was established, namely the Land Reclamation and Reclaimed Lands Cooperatives (LRRLCs). In parallel with the establishment of those two types of AC, fresh activity was stimulated in consumer, housing, and worker cooperatives; in 1956, the new Cooperative Law no. 317 was issued, regulating all cooperative types and sectors.

²² Calculated based on the data included in Frankhauser, 1953.

In light of the national development plans and the increasing orientation toward a centrally-controlled economy, the state rapidly spread the ACs across the old agricultural land. From 1957–1961, the cooperatives covered all Egyptian villages under the title “agricultural credit cooperatives” (ACCs) (Rashad, 1994). These have also been known as the multi-purpose cooperatives (MPCs), since (historically and effectively) a primary activity and characteristic of these ACs was providing farmers with credit and inputs on credit rather than specialize on a subsector or value chain. The MPCs formed (and continue to form) the largest group of ACs.

Throughout the following years, the cooperative law and other related legislation were subject to several amendments. Particularly important among these was the Agricultural Cooperation Law no. 51 of 1969, which was created specifically to organize the AC sector in a more comprehensive manner. The law created the horizontal and vertical sector structure, which has been widely sustained since then. As a result of both strong state intervention and support, the cooperative movement lost its autonomy. Farmers were only able to gain access to credit, inputs and technical support when they operated through the ACs. Cooperative membership became practically compulsory.

2.1.4 The fourth phase (1976–present)

In 1976, Law no. 117 was passed, establishing the Principal Bank for Development and Agricultural Credit (PBDAC),²³ a government-owned bank with branches in governorates and villages all over Egypt. The main roles of the cooperatives were broadly taken over by the bank. In addition, a significant part of the cooperatives’ assets was also transferred to the PBDAC. The ACs became almost completely dependent on the bank to obtain inputs or practice their limited role in marketing members’ products. In 1980, Law no. 122 (which is still in effect) was passed, aiming to re-establish the cooperatives and unify various legislations, decrees and other regulations governing the three AC sub-sectors.

The Structural Adjustment Program of 1986 liberalized the economy and farmers were no longer obliged to sell their production to the government through the cooperatives. Cooperatives started competing with the private sector in transactions of agricultural inputs and outputs. Moreover, the government temporarily reduced PBDAC’s market share in favor of the ACs. However, the ACs were still no better off, since they were unprepared for exposure to the free market. In contrast with the almost complete withdrawal of governmental support for the cooperatives, governmental supervisory control remained at the same level. Those conditions translated into completely unbalanced competition between the ACs with the private sector and PBDAC, in favor of the latter two. Therefore, the ACs became largely unable to fulfill their legislative and actual purpose of providing services to farmers.

²³ Recently, PBDAC was restructured and renamed the Egyptian Agricultural Bank (EAB).

2.2 Overall structure²⁴

As stated in the Agriculture Cooperation Law No. 122 of 1980, the cooperative edifice consists of the ACs and the CACU, whereby the ACs are either multi-purpose or specialized. Moreover, the law determines a pyramidal structure, including four horizontal levels, from top to bottom:

- National level: includes CACU, which is the federal umbrella to which all ACs affiliate, as well as the GCs, which are the highest/superordinate level of each of the three subsectors and each of the SCs. In total, there are 15 GCs.
- Governorate level: includes the CCs, which represent the consolidated organization of the district and village cooperatives.²⁵
- District level: includes the JCs, which are the consolidated organizations of village cooperatives. The JCs comprise cooperatives from the three main subsectors, but none of the specialized cooperatives.
- Village level: includes LCs, which are the base of the cooperative structure (Table 1).²⁶

The existing agricultural cooperative sector consists of three vertical subsectors based on the type of land:²⁷

- ACCs, which are divided into two types:
 - MPCs, representing the majority of the ACs and covering almost all Egyptian villages in the old land. Those cooperatives are all affiliated at the national level to one GC, the Agricultural Credit General Cooperative (ACGC).²⁸ The MPCs represent about 68 percent of all ACs.
 - SCs, which include 17 vertical segments based on type of products, whereby 12 segments have their own GCs at the national level. The SCs represent about 12 percent of total ACs.

Together, the two types of ACC represent the vast majority of ACs, accounting for about 80 percent of the total.

²⁴ The structure of ACs is rather confusing, not only because of its complexity and the overlap between units' responsibilities, but also because of the labeling system, whereby titles and functions are often incongruous and inconsistent at the different levels.

²⁵ See Annex 4 for an administrative map of Egypt.

²⁶ Chapter 4 provides information on governance forms and tasks and responsibilities of each type/level of AC.

²⁷ See Historical Development (Chapter 3.1).

²⁸ This is one of the most confusing labels of the ACs in Egypt, since the subsector has the same label as one of its two components, which is responsible for differentiating classifications of ACs in references and statistics. The labeling is also inconsistent, since providing credit indicates a specialized type of service, while it actually refers to multi-purposed cooperatives, which do not even provide credit to their members.

- Land Reform Cooperatives (LRCs), which were established in the old land according to law No. 178 of 1952 as a measure to support and organize the beneficiaries of the Agrarian Reform Program. The LRCs represent about 11 percent of the ACs and they are all multi-purposed.
- LRRLCs, which were established in the newly-reclaimed desert lands according to law No. 100 of 1964, amended by law No. 143 of 1981. Almost all LRRLCs are multi-purposed, except for six specialized cooperatives at the local level. The LRRLCs represent about 10 percent of all ACs (Table 1).

Table 1: Structure, numbers and membership of ACs

CACU						
Vertically		ACCs		ARCs (multi- purpose)	LRRLCs (mostly multi- purpose)	Total
Horizontally		MPCs ²⁹	SCs			
<i>General</i>	<i>National</i>	1	12	1	1	15
<i>Central</i>	<i>Governorate</i>	22	74 ³⁰	18	16	130
<i>Joint</i>	<i>District</i>	183	–	70	23	276
<i>Local</i>	<i>Village</i>	4306	818	659	623 multi- purposed + 6 specialized	6 412
% of LCs		67.2 percent	12.8 percent	10.3 percent	9.8 percent	100 percent
		80 percent				
No. of members ³¹		3 984 000	15 431 ³²	417 000	299 000	4 715 431
% of total membership		84.5 percent	0.4 percent	8.8 percent	6.3 percent	100 percent

Sources: Number of cooperatives: Unpublished CACU data (2017); number of members: CAPMAS, Annual Bulletin of the Cooperative Activity in the Agricultural Sector of 2014–2015, Sep. 2016; percentages: calculated based on the above data.

Note: The country comprises 27 administrative governorates. The president appoints governors to lead each governorate and serve at the president's discretion. The governorate groups include four urban governorates, five frontier governorates, nine Lower Egypt governorates, and nine Upper Egypt governorates.

²⁹ The labelling is a misnomer: multi-purpose ACCs are credit cooperatives that are simultaneously multi-purpose cooperatives, but they do not provide credit to their members.

³⁰ The SCs that act at governorate level; however are not officially CCs.

³¹ The membership figures show slight inconsistencies; this is due to discrepancies in the related statistics.

³² The membership of SCs consists of two types: individual members and cooperative-members; no consistent data for the membership of cooperatives is available.

In addition to cooperatives, there are also non-cooperative producers' organizations, some of them with a relevant role in the agricultural sector. Annex 2 provides a summary of the objectives and functions of some of the key producers' organizations in the country.

2.3 Legal framework

There are seven different laws for cooperatives in Egypt, which are:

- The General Cooperative Union Law No. 28/1984
- The Agricultural Cooperation Law No. 122/1980
- The Fishery Cooperatives Law No. 123/1983
- The Consumer Cooperation Law No. 109/1975
- The Productive Cooperation Law No. 110/1975
- The Housing Cooperation Law No. 14/1981
- The Educational Cooperation Law No. 1/1990

Accordingly, AC subsectors are governed by one law that is only applicable to them and is independent of other laws that govern different types of cooperatives. The Agricultural Cooperation Law contains 85 articles distributed across 11 chapters: (i) general regulations, (ii) cooperative structure, (iii) roles and responsibilities, (iv) financing, (v) membership and governance, (vi) cooperative management, (vii) exemptions and benefits, (viii) monitoring, (ix) termination, (x) Central Cooperative Union, and (xi) penalties.

The law reflects how the state understands the cooperative movement and its roles:

The cooperative movement is a popular democratic movement supported by the state, and contributes to the implementation of the state's overall policy for the agricultural sector.

Agricultural Cooperatives are economic and social units aimed at promoting the various aspects of agriculture. They contribute to rural development in their working regions, in order to raise the economic & social standards of living of their members within the State's general plan (Agricultural Cooperation Law No. 122/1980).

These definitions imply that cooperatives are independent legal entities; however, according to the law, cooperative funds are treated as public funds and the law determines their composition and distribution. Moreover, cooperative employees and boards are considered civil servants.

Based on their fields of work, the law determined two main types of cooperatives: a) Multi-purposed Cooperatives and b) Specialized Cooperatives. Originally, the ACs covered by the law included plant production, animal

production and fish production. An amendment to the law in 1981 exempted fisheries from the definition of ACs.

Alongside the law, two executive regulations (bylaws) complemented it, providing further detail:

- The Executive Regulation – Ministerial Decree 1/1981 on the regulation of law 122/1980 for Multi-purposed and Agrarian Reform Cooperatives
- The Executive Regulation – Ministerial Decree 388/1984 of law 122/1980 for Land Reclamation Cooperatives

In response to changing needs, conditions, and policies, other ministerial decrees with various explanatory notes were issued.

The law does not entirely reflect the internationally recognized philosophy, values and principles of cooperation as stated by the International Cooperative Alliance (ICA) (ICA, 1995), the United Nations Guidelines for creating a supportive environment for the development of cooperatives (United Nations, 2002), as well as the International Labor Organization (ILO) Recommendation No. 193 concerning the promotion of cooperatives (ILO, no date).

The internationally acknowledged definition of a cooperative as stated by the ICA is

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise (1995 International Cooperative Alliance Statement on the Co-operative Identity, page 1).

The ICA defined the cooperative values as self-help, self-responsibility, democracy, equality, equity, and solidarity. The definition and values of the cooperatives are reflected in the seven Cooperative Principles, which are: (i) voluntary and open membership, (ii) democratic member control, (iii) member economic participation, (iv) autonomy and independence, (v) education, training and information, (vi) cooperation among cooperatives, and (vii) concern for the community.

The Egyptian Cooperative Law is not completely in alignment with the abovementioned definition of cooperatives, nor with some values and principles, especially voluntary and open membership, and independence and democratic member control. The most important elements of the law that reflect this lack of alignment are: (i) the statement made in the definition of the law, (ii) the membership rules, and (iii) its provisions on organization and governance.

2.3.1 Implication of the definition of agricultural cooperatives

The definition of ACs according to the law specifies that cooperatives should contribute to executing government plans and policies in the agricultural sector.

2.3.2 Consequences of the membership rules

The Agricultural Cooperation Law No. 122/1980, conditions membership in some forms:

- farmers are only allowed to join their local village cooperative;
- membership in cooperatives is almost obligatory, or indirectly obligatory, since the cooperatives are assigned with administrative tasks that are essential for the farmers e.g. land registration, indirectly authorizing dealings with the Egyptian Agricultural Bank (EAB), and distribution of subsidized inputs;
- forming new cooperatives is allowed; however, the law determines a minimum area owned by farmers who want to establish a cooperative, which is practically unfeasible in most villages;
- membership in ARCs is explicitly obligatory;
- the cooperatives are obliged to subscribe to the higher cooperative levels and to contribute to their capital.

2.3.3 Organization and governance

The complex cooperative structure is rigidly determined by the law:

- three vertical subsectors based on the type of land (albeit with the same roles, acting under the same law and supervised by the same Ministry): ACCs, ARCs and LRRLCs;
- two cooperative types based on the kind of business: specialised and multi-purpose;
- four horizontal layers based on the geographic scope: village, district, governorate and national;

The law determines the roles of the different cooperative levels in a detailed manner that hinders their flexibility. It predetermines the membership fees as well as the distribution of the cooperatives' surpluses and profits from their productive projects.

The current constitution includes two articles that support agricultural cooperation:

Article 33: "The State shall protect ownership in its three forms: public, private, and the cooperative."

Article 37: “Cooperative ownership shall be protected. The State shall grant due care to cooperatives, and the Law shall guarantee their protection, support, and independence.”

“It is prohibited to dissolve cooperatives or their board of directors except by virtue of a court ruling.”

In 2014, a new amendment was issued to Law No. 132/1980. The amendment changed six articles in the old law to varying degrees, added paragraphs to three articles and annulled one article. However, the amendment did not address the core changes required for the law to accord with the principles of cooperatives and the requirements to develop them. Among the most important changes that were instituted by the amendment were:

- banning the dissolution of cooperatives or their boards on all levels, except through a court ruling;
- granting CACU a wider role in coordinating with the state regarding agricultural pricing policies;
- allowing legal entities to contribute to the capital for projects (enterprises) established by the cooperatives, at a maximum share of 25 percent, without providing said legal entities the rights of individual contributors to participate in the General Assembly or the boards of directors, allowing cooperatives the possibility to collaborate with the private sector, and allowing them to establish companies;
- granting the governor certain rights that were previously restricted to the Minister of Agriculture and Rural Development.

It is important to indicate a law that is closely connected to cooperatives, though it is not a cooperative law itself: Law No. 14 for the Establishment of a Contract Farming Center, passed in 2015. The law reflects the state’s interest and moves towards contract farming as one of the mechanisms for agricultural development and agricultural exports, as well as improved food security. The law defines contract farming as:

[A]ny agricultural, animal, poultry, or fish farming that is undertaken based on a contract between the producer and the retailer, whereby the producer must supply the product according to the quantities, types, quality, price, and other conditions included in the contract.

The rationale behind this law is based on the extreme land fragmentation that characterizes Egyptian agriculture and the growing need for organizations that can act as the contracting party on behalf of small producers who cannot be directly contracted due to their large numbers and the small amount of individual production. Contract farming is contingent on meeting certain quality specifications that small farmers often cannot meet alone without organization and external support.

The law stipulates the establishment of a center within MALR responsible for all issues related to contract farming (the Contract Farming Center). Its tasks are delineated as follows:

- registering contract farming contracts upon the request of either party;
- raising awareness, providing guidance and promoting contract farming;
- providing guidance models for the aforementioned contracts;
- gathering relevant information and establishing a database;
- making decisions regarding disputes that arise from the interpretation or execution of contracts.

Although a board of trustees for the Center has been formed, it does not meet regularly. Moreover, the law has not been activated as its executive regulations (bylaws) have yet to be issued.

In another context, the most recent important decision in relation to cooperatives was the Prime Minister's decree, dated November 7 2016, relating to CACU's roles. The decree stipulates that the Minister of Agriculture and Rural Development shall invite CACU to participate in the discussion of any regulations and policies relating to the prices of agricultural inputs.³³

2.4 Financial resources and regulations

Cooperatives' financial resources draw on the following sources:

- Shared capital consisting of an unlimited number of shares, whereby the AC law determines the minimum value of a share and the internal executive regulation defines its actual value.
- Capital quotas (members are permitted to contribute with monetary or non-monetary quotas besides shares, according to the stipulations of the internal executive regulation).
- Legal reserve and other allocations and reserves of the cooperative.
- Deposits and savings that the cooperative accepts from its members. The cooperative is entitled to establish a savings fund and invest its collected deposits and savings to benefit members. A percentage of the value of the crops that are marketed by the cooperative is deposited into this fund. The inner bylaws of the cooperative determine this ratio as not exceeding 3 percent of the crops' value.
- Surplus achieved from the cooperative's activities over the year.

³³ According to the study's informants, in certain cases, the MALR has not committed to this decree. However, even when it has included CACU, the organization's views were not taken into consideration in determining the prices of inputs.

- Loans necessary for operational activities (the executive regulation sets the rules for lending and borrowing according to the activities practiced by the cooperative).
- Donations and local wills as long as the respective provisions are not inconsistent with the cooperative's objectives. The executive regulation indicates procedures for the acceptance of such donations and for meeting the terms of donors that do not contradict the cooperative's purposes, whereby donations that are not allocated for specific purposes are allocated to the legal reserve.
- Subsidies provided by the state, local administration units, or other legal persons. The executive regulation stipulates the rules around allocating these subsidies.

2.4.1 Surplus distribution

The legal definition of the surplus is "the remainder realized out of the current business over the fiscal year, after allocating projects' reserve, after settling all cost and repayment of all financial obligations of the cooperative including incentives and salaries" (Agricultural Cooperation Law No. 122/1980).

The cooperative law determines the net surplus distribution as follows:

- at least 20 percent is directed to legal reserve;
- 5 percent goes into social and charity services;
- 5 percent goes into public services and spreading cultural and cooperative awareness among the cooperative's members;
- 5 percent is deposited into a special account for cooperative training to cover the expenditures of the training centers and programmes (half of this ratio has to be allocated to the respective central cooperative, while the other half has to be allocated to CACU);
- 5 percent is deposited into a special account for the patronage of agricultural labor and cooperative staff;
- 3 percent is deposited into a special account to be invested and allocated to provide financial support to weak cooperatives (Fund at CACU);
- a maximum of 10 percent is used as incentives for board members (the internal executive regulations determine the distribution of this ratio);
- the remaining surplus is to be distributed among the cooperative's members as a transaction return³⁴ for their dealings with their cooperatives, in proportion to the volume of the deals. By contrast, surplus that results from the cooperative's transactions with non-members is not to be distributed among members but to be added to the legal reserve.

³⁴ Usually, returns distribution is not actually practiced in Egypt; rather, surplus is transferred to the reserves.

As for profits achieved by productive projects or enterprises owned or managed by the cooperative, these should be considered “projects’ reserve” and assigned to cover the cost of these projects, after deducting 10 percent for the legal reserve of the cooperative.

2.4.2 Auditing system

There are several Bodies responsible for the auditing of ACs:

The Technical Unit of the Central Agriculture Cooperative Union

According to the executive regulations of the AC law, the central cooperative is obligated to create a Technical Unit, which controls and audits the financial accounting of the joint and village cooperatives.

Based on a decision issued by CACU’s board of directors, those cooperatives have to cover the cost of the Technical Unit. The staff is seconded from different departments of the Central Directorate of Cooperatives at MALR.³⁵

The Cooperative and Financial Follow-up General Directorate

The Directorate is affiliated with MALR and consists of two departments:

- Cooperative Follow-Up Department (CFUD)
- Financial Follow-Up Department (FFUD)

The Directorate has branches in all governorates. Its main functions are to perform inspections as well as technical, financial and administrative supervision of cooperatives at the governorate level.

The Accountability State Authority

CACU, the central and general cooperatives are all subject to the Accountability State Authority (ASA), which is the official auditing agency at national level, for audits and reviews.

³⁵ Many among the Technical Unit staff are not qualified auditors; indeed, some do not have any accounting background.

Chapter 3 – Formation and roles of cooperatives at horizontal levels

3.1 Central Agricultural Cooperative Union

CACU is composed of the general, multi-purposed, and specialized cooperatives as well as all multi-purpose central cooperatives. The General Assembly of CACU is formed by the board members of these cooperatives, numbering 784 members in 2017.

3.1.1 Governance

By law, the CACU board of directors should comprise at least 30 members, among them an elected member from each CC, at least one representative from cooperatives whose activities cover more than one governorate, and another from GCs that are members of CACU, as well as five members nominated by the Minister of Agriculture and Rural Development. CACU expanded its board to include 105 members initially, and it currently has 121 members. Since the law specifies a minimum but not a maximum number of representatives, CACU changed its internal regulations, increasing the representatives of GCs to four members each. Accordingly, about 40 percent of the board (48 members) represents less than 13 percent of the ACs. Moreover, the law enables the SCs at governorate level to become members in more than one specialized general cooperative, which exacerbates the imbalance of the board.³⁶

Table 2: CACU board of directors, 2017

CACU board of directors 121 members								
Represented entity	ACCs			Multi-purpose ARCs		LRRLCs (mostly multi- purpose)		Nominated by MALR
	MPCs ³⁷		SCs					
Horizontal level	General	Central	General	General	Central	General	Central	National
No. of coops	1	22	12	1	18	1	16	5
No. of board members	4	22	48	4	18	4	16	

Source: CACU, unpublished data, 2017.

³⁶ Many informants believe that this imbalance in the membership of CACU's board in favor of the SCs has important consequences in terms of decision-making.

³⁷ The labelling is somehow confusing as ACCs are called credit cooperatives, which indicates a specialized field, however they include multi-purpose cooperatives and crop-specialized cooperatives.

CACU's main operational tools and mechanisms are: (i) The eight specialized committees for planning and monitoring, marketing, sugar crops, land reclamation, animal wealth, agricultural development, fruits and vegetables, and legal affairs; (ii) the Center for Cooperative Development; (iii) the Fund for Support of Weak Cooperatives.

3.1.2 Financial resources

CACU depends on the shares paid by the member cooperatives. Additionally, it receives funds from national and international donors. By law, 3 percent of the surplus of the ACs is allocated for the Fund for Support of Weak Cooperatives at CACU.

3.1.3 Main tasks

There are two key aspects to consider in order to understand CACU's main tasks: (i) the law does not include a statement about the general purpose of CACU, and (ii) the activities of CACU as listed in the law are not worded as main or particular activities, but rather "the activities". Table 3 includes those, as well as the extent to which they are actually practiced.

Table 3: Roles and responsibilities of CACU

Roles and responsibilities	Actual practice			
	Absent/ near absent	Weak	Moderate	Strong
Participating in planning the cooperative movement in Egypt		✓		
Coordinating between GCs			✓	
Advocating for the agricultural cooperative movement		✓		
Supervising cooperative training in coordination with CCs		✓		
Holding the general agricultural conference once every four years, following up with the implementation of its decisions and recommendations, and organizing the convention of other specialized cooperative conferences through the concerned GCs		✓		
Coordinating between the AC sector and the other cooperative sectors	✓			
Representing the ACs abroad, in coordination with MALR (through membership in international cooperative organizations, conference participation, the exchange of cooperative expertise and accepting foreign financial support)			✓	
Suggesting legislations for ACs		✓		
Defending the interests of ACs		✓		

Source: Interviewees and author.

3.2 General cooperatives

As mentioned in Table 1, there are currently 15 GCs, which cover the three main subsectors (ACCs, ARCs and LRRLCs), as well as 12 SCs.

3.2.1 Governance

The General Assembly of the GCs consists of the boards of all their member cooperatives. The board of directors of a GC includes representatives of the member cooperatives at the governorate level, in addition to one member nominated by the MALR.

3.2.2 Purpose and main tasks

The purpose of GCs is to assist their affiliate cooperatives – within the GC's ability – to perform their roles. Table 4 includes the tasks of the GCs that are explicitly included in the law as particularly important and the extent to which they are actually practiced.³⁸

Table 4: Roles and responsibilities of GCs

Roles and responsibilities	Actual practice			
	Absent/ near absent	Weak	Moderate	Strong
Providing member cooperatives with machinery, spare parts and various production means	✓			
Making fertilizers, seeds and pesticides available either through local purchase or importing		✓		
Executing the cooperative production marketing operations at national level	✓			
Exporting the member cooperatives' products according to the agreed regulations, ensuring their interests	✓			
Establishing large projects based on cooperative principles, specifically the establishment of fertilizers, pesticides and spare parts factories, and building agricultural industries at national level for the packaging or manufacturing of certain field crops, including dairy factories, and packaging of vegetables and fruits		✓		
Assisting affiliated cooperative units by conducting specialized research to improve and enhance working standards and organize training workshops for the technical and administrative units and members	✓			
Supervising the overall status and activities of affiliated cooperatives to deliver updated and high-tech information	✓			

Source: Interviewees and author.

³⁸ The evaluation of the actual practices on this level and subsequent levels is attributed to the vast majority of the cooperatives, i.e. the ACCs, whereby the activities of ARCs and the LRCs are relatively different as showed in Chapter 5.

3.3 Central cooperatives

The central cooperatives are formed at the governorate level by JCs. The label “central cooperative” is restricted to the credit cooperatives by law. Therefore, although 74 SCs act at governorate level, they are not legally CCs, nor are they referred to as such. There are 56 officially acknowledged CCs; however, the actual number, including the SCs acting at governorate level, is 130 cooperatives.

3.3.1 Governance

The General Assembly of CCs and SCs at governorate level consist of one representative from the board of the member cooperative who is elected by his or her cooperative. The boards of the CCs are elected from and by the General Assembly. The number of board members and should not exceed 15, one of whom is nominated by the MALR.

3.3.2 Purpose and main tasks

The purpose of the CCs is to support their constituent cooperatives and assist them in performing their roles. Table 5 includes the tasks of the CCs explicitly mentioned in the law as particularly important and the extent to which they are actually practiced.

Table 5: Roles and responsibilities of CCs

Roles and responsibilities	Actual practice			
	Absent/near absent	Weak	Moderate	Strong
Establishing an auditing unit entrusted with control, supervision and inspection over managerial, financial and accounting matters, as well as the stores and ledgers of all cooperatives in the governorate			✓	
Supervising administrative and financial work as well as best systems for accounting, financial and administrative operations		✓		
Establishing a training center on the governorate level that provides cooperative technical and managerial training for cooperative members and staff		✓		
Establishing and managing agro-processing projects and rural industries, and operating them for the sake of member cooperatives		✓		
Spreading cooperative awareness around different governance methods	✓			
Providing the necessary spare parts for cooperatives and machinery owned by cooperative members (CCs are entitled to establish workshops)	✓			

Source: Interviewees and author.

3.4 Joint cooperatives

JCs are formed at the district level to consolidate their member LCs and assist them in all fields of performance. The formation of JCs is not obligatory, unlike the other horizontal types of cooperatives, since the law does not mandate the existence of them at the district level for any of the three subsectors. Therefore, JCs do not cover all governorates: for example, the joint credit CCs only exist in 15 governorates out of 27. All JCs are multi-purpose, since SCs do not exist at district level. In total, there are 276 JCs.

3.4.1 Governance

The General Assembly consists of the board members of the member cooperatives. The board of directors of a JC has a maximum of 13 elected members of the affiliated LCs.

3.4.2 Purpose and main tasks

The purpose of the JCs is to assist their constituent cooperatives in all fields of performance and establish projects to serve them. Table 6 includes the tasks of the JCs explicitly mentioned in the law as particularly important and the extent to which they are actually practiced.

Table 6: Roles and responsibilities of JCs

Roles and responsibilities	Actual practice			
	Absent/near absent	Weak	Moderate	Strong
Managing and supervising the use of agricultural machinery	✓			
Establishing stationary or mobile workshops for maintaining and fixing the machines and equipment owned by LCs	✓			
Establishing and managing agro-processing projects and rural industries	✓			
Establishing stores or cooling houses for agricultural inputs and products		✓		
Providing transportation services to its members	✓			
Participating and supporting the marketing activities of members' crops	✓			

Source: Interviewees and author.

3.5 Local cooperatives

LCs acting at the village level form the base of the AC sector and therefore constitute the most important level of the entire agricultural cooperative

scheme. There are 6 418 LCs. The majority are affiliated with the MPC subsector (4 306); however, they also include SCs (824), ARCs (659) and LRRLCs (623).

Article 1 of Law No.122 for 1980 describes the status of LCs as

Economic and social units with the aim to develop agriculture in all its aspects in its domain and to contribute to rural development in the area of its jurisdiction in order to improve the membership's economic and social conditions within the State's policy.

However, the LCs have the right to provide services for non-members within the limits indicated by the executive regulation and the internal bylaws.

The law does not determine an upper or lower limit for the cultivated area of an LC; however, the executive regulations of the law specified 750 feddans³⁹ as the minimum area required to establish an LC. Nevertheless, those regulations grant the governor the right to make exceptions to this rule, which is widely practiced, particularly in Upper Egypt.

3.5.1 Governance

Founders of the LCs participate in the establishment of a cooperative, sign its articles of partnership, develop its internal bylaws, and are jointly responsible for the establishment commitments and all its subscribed funds until responsibilities are handed over to the first board of directors.

LC boards are elected by the General Assembly and should not exceed 11 members as mandated by the executive regulations of the law. Board members are jointly responsible for damages that befall the cooperative due to grave mistakes committed during their term of membership, whereby the general assembly decides upon the level of responsibility of the board. The financial obligation of cooperative members is determined by their share values, unless the internal bylaws stipulate higher responsibilities. As for the manager, the government nominates two agricultural engineers from the MALR to serve as a manager of the LC and the board has to select one of them. The manager continues to receive his or her salary from MALR; however, the LC must pay a secondary incentive.

3.5.2 Purpose and main tasks

The purpose of the LCs is to practice activities including services, production, marketing and rural development that are required by their members regarding their agricultural economic activities. Table 7 includes the tasks explicitly mentioned in the law as particularly important and the extent to which they are actually practiced.

³⁹ Approximately 315 hectares.

Table 7: Roles and responsibilities of LCs

Roles and responsibilities	Actual practice			
	Absent/ near absent	Weak	Moderate	Strong
Considering crop patterns of agricultural cycles and following the implementation of the agricultural plan, within the state's general plan, at the working zone of the cooperative ⁴⁰	✓			
Planning and implementing local productive projects including agro-processing projects, animal production, raising of domestic fowls, apiculture, local industries, land reclamation and aquafauna	✓			
Participating in organizing land cultivation and bringing together tenant farms in order to promote agriculture according to modern scientific practices, in collaboration with state organizations and local administrative units		✓		
Undertaking cooperative marketing of the members' crops	✓			
Obtaining loans from various sources to finance the cooperative's productive projects and members' activities	✓			
Providing, managing, and maintaining agricultural machinery, as well as providing training for the users	✓			
Providing public services to members in collaboration with the relevant entities	✓			
Raising financial saving awareness among members and organizing the investment of their savings	✓			

Source: Interviewees and author.

⁴⁰ The part pertaining to working in the framework of the state's plan is no longer valid, as the state no longer implements plans for the crop composition.

Chapter 4 – AC subsectors: Mapping and basic information

4.1 Agricultural credit cooperatives⁴¹

4.1.1 The entire subsector

The ACC subsector is composed of multi-purpose and specialized cooperatives (based on product type). There are 5 416 ACCs overall, which constitute 80 percent of all ACs. Of these, 5 124 are LCs, 183 are JCs and 22 are CCs. In addition, there are 74 ACCs that act at the governorate level and are not CCs but rather specialized cooperatives, plus 13 GCs at the national level. In terms of cultivated area, the LACCs cover about 6.5 million feddans,⁴² which constitute 69 percent of the total cultivated area.⁴³

The total number of the LACCs has been increasing slightly over the last five years (Table 8).

Table 8: Number of multi-purpose LACCs, 2010–2015

Years	No. of cooperatives
2010/2011	4 282
2011/2012	4 281
2012/2013	4 289
2013/2014	4 299
2014/2015	4 306

Source: Author's compilation from CAPMAS, Annual Bulletin of the Cooperative Activity in the Agricultural Sector of 2014-2015, Sep. 2016.

Generally, each LACC covers one village, though some of them cover more than that. LACCs are present in all Egyptian governorates. A total of 57.1 percent of LCs are located in the Nile Delta, 35.6 percent in Upper Egypt, and 6.3 percent

⁴¹ As explained in Chapter 3.2 and illustrated in Table 1, there are no separate detailed statistics available for each of them, since CAPMAS Statistics classify the ACs based on their supervising bodies rather than affiliation with national GCs. However, the individual membership of both types is not comparable: 3 984 000 for the multi-purpose and 15 431 for the SCs.

⁴² Approximately 2.73 million hectares.

⁴³ Calculated from CAPMAS, 2016; MALR, 2015–16.

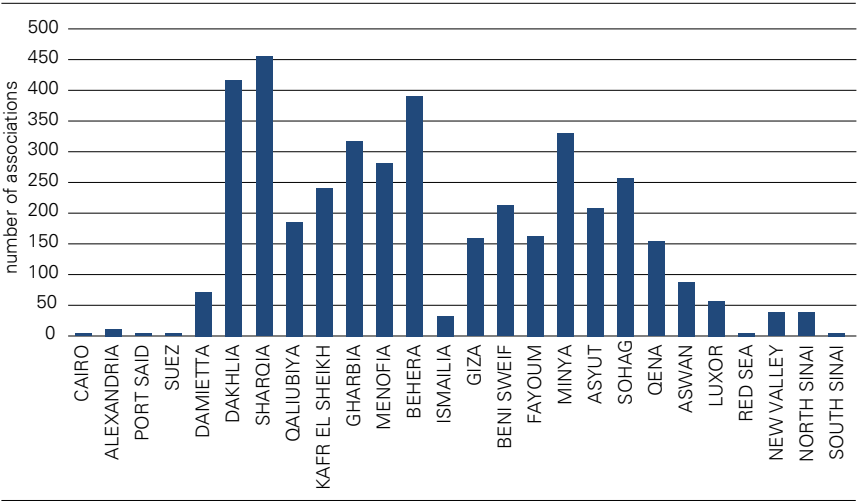
in border governorates. Figure 6 illustrates the distribution of the LACCs among the governorates.

Membership

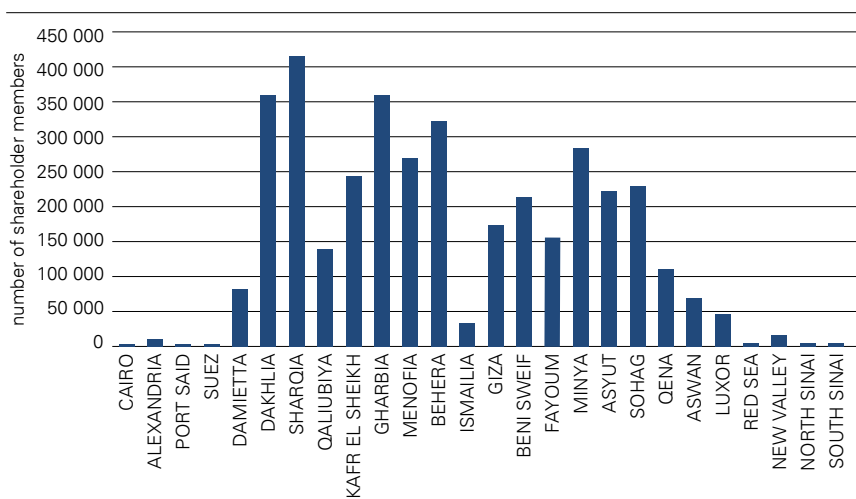
The number of members in the LACCs registered 4 million members in 2014/2015, which is 83.1 percent of all cooperative association members. This is a nearly 10 percent increase from 2010/11.

More than half of the LACC members are concentrated in six governorates; Sharqia, Dakahlia, Gharbia, Behera, Minya and Menofia (Figure 7). For JCs, there are 9 642 members distributed across all governorates of Egypt, with the largest number in Dakahlia and Minya, at 2 313 and 2 278 members, respectively (CAPMAS, 2016).

Figure 6: Geographical distribution of the LACCs, 2014/2015



Source: CAPMAS, 2016.

Figure 7: Geographical distribution of LACC members, 2014/2015

Source: CAPMAS, 2016.

Activities

The role of LACCs has significantly diminished overall, particularly their role in marketing has become marginal and limited to that which is authorized by the government (marketing cotton and seeds). This is limited and fluctuates from one year to the next with the changes in policies.

With regards to providing production inputs, the cooperatives distribute the subsidized portion of fertilizer to shareholders in exchange for a small commission. Total fertilizer sales amounted to EGP 2.915 billion in 2016, achieving a 15 percent surplus for the cooperatives.

LACCs also trade pesticides, but they are not strong market competitors as they are required to use certified types with guaranteed quality, which are expensive, while the private sector can purchase pesticides from any source, usually turning a blind eye to quality specifications. This allows them to sell at lower prices.

Certain cooperatives, particularly CCs, own productive and commercial projects but the returns from these projects are not reinvested to provide better services to members.

The total investment value for projects was EGP 262.1 million in 2015/2016, distributed across four types: production requirements (11.3 percent), food security (27.1 percent), service (47.3 percent), and agricultural mechanization (14.1 percent).

Capital building

Besides regulatory limitations, the weak status of activities reflects on the cooperatives' capital, which shows extremely limited growth; indeed, when inflation is considered, the capital growth is negative. Table 9 outlines the progression of the LACCs' capital over the past five years.

Table 9: Development of ACCs' capital, 2010–2015

Years	Capital in million EGP
2010/2011	73.0
2011/2012	90.3
2012/2013	134.4
2013/2014	94.9
2014/2015	87.3

Source: Based on the data of CAPMAS, 2016.

The cooperatives' capital clearly varies from one governorate to the next, which is inevitably tied to the size of membership or the affiliated land area, whereby productive and commercial projects in these cooperatives play a key role in creating capital.

4.1.2 General multi-purpose cooperatives

General multi-purpose cooperatives (GMPCs), also known as credit cooperatives, represent the vast majority of the ACC subsector (83 percent), and consequently of the ACs at large (67 percent). They are represented in all governorates. The membership of the GMPCs includes 23 multi-purposed CCs (all governorate level) with which 4 440 ACs are affiliated (CAAC, 2017).

The main notable activity of GMPCs is providing inputs to their member cooperatives, which in turn provide them to the affiliated ACs. The value of inputs provided by the GMPC in 2015–2016 amounted to EGP 2.983 billion. Most of this value can be attributed to fertilizers (EGP 2.86 billion), for which the GMPC acts as a distributor for an input that is state-controlled.

Main financial indicators

Table 10 illustrates the main financial indicators of the GMPC.

Table 10: Main financial indicators of the GMPC, 2015–2016

Item	Value in million EGP
Capital	1.9
Fixed assets	13
Liquidity ⁴⁴	499
Surplus	19
Reserve	91

Source: Author's compilation from CAPMAS, 2016.

4.1.3 Specialized cooperatives

Overview

The SCs are the second type of ACC. In terms of size and coverage, they represent a much smaller segment than MPCs (824 in comparison to 43 063). Out of the total number of SCs, 818 are LCs (covering at least one village) and 90 are governorate cooperatives.⁴⁵ There are 17 segments under this type of cooperative, 12 of which formed GCs (at national level), which are all members of CACU. The SCs include 7 655 member cooperatives and 15 431 individual members. The total capital of all SCs in 1914–2015 amounted to about EGP 11.3 million.⁴⁶

Table 11 illustrates the segments of SCs as well as their capital and individual and cooperative membership.

⁴⁴ Accountability State Authority, 2016.

⁴⁵ SCs acting at governorate level are not officially considered central cooperatives. The number of SCs varies from one source to another and even within the same source. The total number of 824 is based on CAPMAS data published in 2016, while the distribution among villages and governorates is based on the unpublished data from the Central Administration for Agricultural Cooperation (CAAC) for the same year, which refers to a total number of 908 cooperatives. The data from CAPMAS are adopted in this section, since they cover more areas. Even the number of general SCs amounts to 12 according to CACU, 13 according to CAAC, and 16 according to CAPMAS. Therefore, the data used is not completely accurate.

⁴⁶ The same source indicates a capital of EGP 15 million in a different chapter.

Table 11: SC segments, capital and membership, 2014–2015

SCs	Capital (in thousand EGP)	Members (Individuals)	Members (Cooperatives)
Livestock	1 029	3 428	226
Poultry	278	454	151
Bees and silk	220	5 380	399
Vegetables and fruit	8 279	981	2 192
Agricultural mechanization	6	61	49
Flax	5	121	-
Sugarcane producers	121	698	114
Onion and garlic	2	-	63
Field crops	642	1 229	2 945
Potatoes	256	836	597
Strawberries	25	33	38
Palm trees	5	549	-
Seeds	87	135	415
Beets	51	117	237
Cooperative finance	214	68	229
Youth graduates	47	930	-
Olives and medical herbs	6	411	-
Total	11 273	15 431	7 655

Source: CAPMAS, Sep. 2016.

Note: It is not clear whether the absent fields indicate that there are no activities or no data available.

According to the interviewees, the majority of SCs have limited or almost no notable activities. Table 12 shows the indicators used to reflect the level of activities run by the SCs.

Table 12: Sample of economic indicators from the SCs (in thousand EGP), 2014–2015

SCs	Invested capital	Value of production inputs	Value of project investments
Livestock	51 254	51 202	
Poultry			
Bees and silk			
Vegetables and fruit	2		
Agricultural mechanization	3 778		
Flax			
Rice	21	68 647	68 647
Oil crops		25 373	
Cotton		7 599	920
Sugarcane producers		11 377	
Onion and garlic		23 815	
Field crops			
Potatoes		140	
Strawberry			
Palm trees			
Seeds			
Beets			
Cooperative finance			
Youth graduates			
Olives and medical herbs			

Source: Compiled from several tables from CAPMAS, 2016.

Note: Rice, oil crops and cotton are not included in the Table 11 although the same source was used.

Examples of SCs

The General Cooperative for Potato Producers (GCPP).⁴⁷ The membership of the GCPP consists of 597 field crop cooperatives (FCCs)⁴⁸ as well as 836 individual potato producers, distributed across 15 governorates.

Main activities

- Importing certified seed potatoes:
 - permission from the MALR for each import transaction is needed;
 - in 2015–2016, GCPP had permission to import 500 tonnes of seed potatoes; however, it canceled the transaction because the demand of the member cooperatives amounted to only 70 tonnes;
 - in 2016–2017, the GC imported 440 tonnes of seed potatoes and was not able to sell all of them, incurring losses amounting to EGP 700 000 (many farmers were not able to cover the increased costs of growing potatoes owing to the floating of the currency);
 - the cooperative is currently negotiating with the Horticulture Export Improvement Association (HEIA) to coordinate importing seed potatoes so that both organizations can act as one importer dealing with larger amounts under better conditions.
- Storing potatoes:
 - the cooperative owns and runs eight refrigerated warehouses distributed across various governorates between Alexandria and Minya, with a total storage capacity of 3 200 tonnes.
 - the warehouses represent the main fixed assets of the cooperative (EGP 30 million);
 - due to a lack of competitiveness, only two warehouses were profitable in 2015–2016 (EGP 247 141), while six incurred losses.
- Sorting and packing potatoes:
 - the cooperative owns three sorting and packing stations licensed for export to the EU;
 - the cooperative does not run the stations by itself, but rents them to the private sector;
 - in 2015–2016, only one station was rented for EGP 50 000.
- Exporting:
 - the cooperative has an export license for potatoes, however it does not

⁴⁷ All financial indicators in this section (except liquidity) are extracted from the unpublished report of the board of directors of GCPP as submitted to the GCPP General Assembly, April 2017.

⁴⁸ The FCCs also have their own GC.

use it, since export procedures are too complicated for it.

- Credit services:
 - the cooperative provides short-term credits to its members to finance certain projects upon submitting an application and a proposal for the project;
 - the budget allocated for credit services in 2017–2018 is EGP 2 million.

Main financial indicators

Table 13 illustrates the main financial indicators of the GCPP. Despite the losses or limited returns of some of the cooperative's activities, its financial status is relatively strong. Largely contributing to this are the returns on bank deposits and the accumulation of returns on transactions, which are annually added to the GCPP's reserve. The returns are supposed to be distributed among members in accordance with their transaction size with the cooperative; however, the law permits the returns to be added to the reserve. The GCPP further contributes to financing the purchase of fertilizers via the ACGP with EGP 30 million and receives the returns from the transaction. Among the most important indicators in the table is liquidity, amounting to approximately 75 percent of the current assets; this is money deposited in banks, savings funds and investment certificates, instead of being utilized to provide services to members.

Table 13: Main financial indicators of the GCPP, 2015–2016

Item	Value in thousand EGP
Capital	1 340
Fixed assets	3 576
Current assets	130 425
Liquidity ⁴⁹	102 243
Surplus	2 028
Reserve	124 912

Source: Author's compilation from CAPMAS, 2016.

The General Cooperative for Developing Animal Wealth and Products (GCDAWP). The membership of the GCDAWP consists of 3428 individual

⁴⁹ The data on liquidity come from the Accountability State Authority, 2016.

animal producers⁵⁰ as well as 367⁵¹ animal wealth cooperatives, distributed across 18 governorates.

Main activities

- Disseminating information on imported and domestic production requirements to the members (around 60 million in 2016)
- Credit services:
 - the cooperative provides short-term credits to its members in cooperation with the Social Fund for Development (SFD);
 - the provided credits should only be used for animal production projects;
 - in 2016, the volume of provided credits amounted to EGP 5.3 million, of which the SFD provided EGP 2 million.

Main financial indicators

Table 14 illustrates the main financial indicators of the GCDAWP.

Table 14: Main financial indicators of the GCDAWP, 2015–2016

Item	Value in thousand EGP
Capital	508
Fixed assets	904
Current assets	17,227
Investments	100
Liquidity	16 225 (+USD 132)*
Surplus	475
Reserve	7 357

* The GCDAWP owns accounts both in national and foreign currencies.

Source: *Unpublished report of the GCDAWP board of directors as submitted to the GCDAWP General Assembly, 2017.*

4.2 The agrarian reform cooperatives subsector

4.2.1 Coverage and distribution

There are 747 ARCs, of which 659 are LCs, also known as local agrarian reform cooperatives (LARC)s, 70 are JCs, and 18 are CCs, in addition to the GC at the

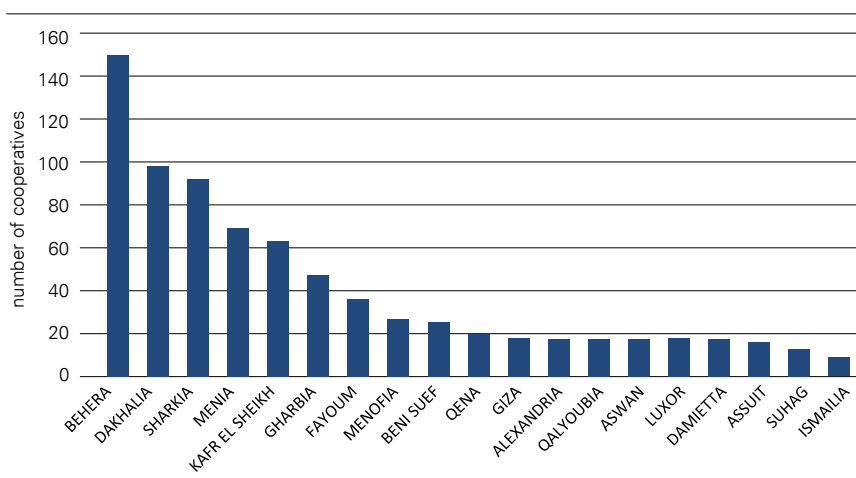
⁵⁰ Based on CAPMAS, 2016. However, individual members are not mentioned in the GCDAWP data.

⁵¹ This and all following data in this section are extracted from the unpublished report of the board of directors of GCDAWP as submitted to the GCDAWP General Assembly, 2017.

national level. The local cooperatives affiliated with this sub-sector represent about 11 percent of the total LCs. In terms of cultivated area, the LARCs cover about 659 thousand feddans, or nearly 280 thousand hectares, constituting about 7.7 percent of the total cultivated area. The number of LARCs has remained constant since their origin was associated with the agrarian reform policies introduced in 1952.

The LARCs are present in only 19 governorates in the Nile Delta and Upper Egypt. Over 83 percent of the LARCs are concentrated in seven governorates: Behera, Dakahlia, Sharkia, Minya, Kafr El Sheikh, Gharbia and Fayoum. Figure 8 illustrates the geographical distribution of the LARCs among the governorates.

Figure 8: Geographical distribution of LARCs, 2014–2015



Source: Based on the data from CAPMAS, 2016.

4.2.2 Membership

ARC membership registered 417 thousand in 2014–2015, or 8.9 percent of the total number of cooperative members.

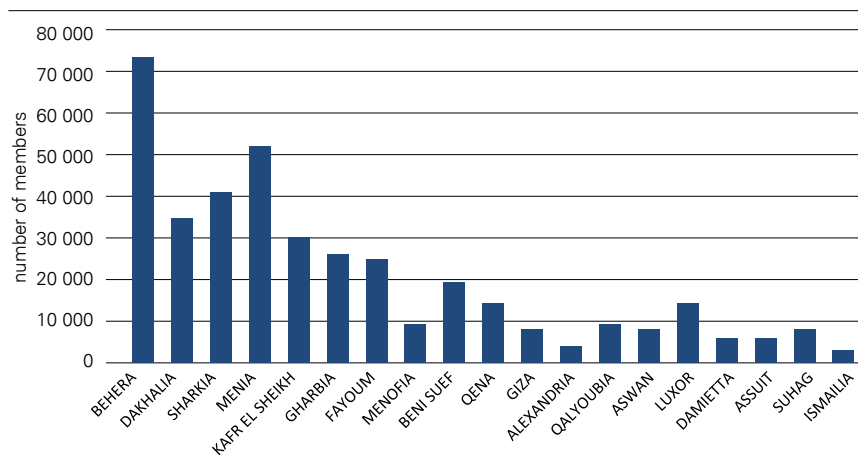
About 75 percent of the LARCs members are concentrated in seven governorates: Behera, Menia, Sharkia, Dakahlia, Kafr El Sheikh, Gharbia and Fayoum (Figure 9). For JCs, there are 9 642 members distributed between the governorates of Egypt, with the largest number in Dakahlia and Minya, at 2 313 and 2 278 members respectively (CAPMAS, 2016), compared to 395 thousand members in 2010/2011, marking an increase of 5.6 percent.

Unlike LACCs, LARC members are not all landowners. Land possession is divided among owners who have paid off the value of their land in full and received ownership contracts and tenants who have either not yet completed

the full payments or have completed them but not yet received contracts due to routine procedural reasons.

The distribution of the LARCs is reflected in the distribution of their members. About 72 percent are in the same seven governorates as most of the cooperatives. Figure 10 outlines the distribution of the members.

Figure 9: Geographical distribution of members of LARCs among governorates, 2014–2015



Source: Based on data from CAPMAS, 2016.

4.2.3 Activities

LARCs purchase and sell products in large quantities and thus receive better prices. They are more organized in terms of operations between members than ACCs. Historically, LARC membership has been obligatory given they were a key actor in the distribution of lands in the payment of land dues (until ownership is transferred to the member). The majority of the purchases of farm inputs made by members are conducted through cooperatives, and not through the private sector. Moreover, LARCs receive loans from banks to fund transactions and can sell farm inputs on credit. Credit repayment is usually done by deducting the loan principal and interests from the surplus of the farmers' marketed crops, such as wheat, cotton, rice, corn and beans.

In 2016, the value of LARCs' transactions related to production inputs was EGP 5.749 billion. Moreover, the cooperatives own several factories and commercial projects.

4.2.4 Capital building

Despite their low numbers and associated land areas compared to LACCs, LARCs constitute the strongest and most organized and active subsector, albeit the one that most closely resembles the patterns of governmental organizations. Their strength is reflected in their capital: despite constituting only 9 percent of the total number of cooperatives and less than 8 percent of the total members, they own approximately 54.7 percent of the total capital of Egyptian cooperatives.

Table 15 illustrates the development of LARCs' capital over five years.

Table 15: Development of LARCs' capital, 2010–2015

Years	Capital
2010/2011	105.6
2011/2012	96.2
2012/2013	100.7
2013/2014	101.5
2014/2015	125.2

Source: CAPMAS, 2016.

The LARCs have a fund to finance the production and the purchase of agricultural inputs. Last year, the fund recorded a surplus of EGP 4.2 million. However, it is important to note that the large numbers that reflect the strength and activeness of the LARC subsector do not necessarily mean that the farmers themselves receive real cooperative advantages. Rather, they pay for production inputs at market prices plus interest and do not sell their products at better prices than those in different cooperatives or on the open market.

4.2.5 The General Agricultural Cooperative for Agrarian Reform

The membership of the General Agricultural Cooperative for Agrarian Reform (GACAR) includes 18 CCs, with which 629 joint and local cooperatives are affiliated,⁵² distributed across 18 governorates.

Main activities⁵³

- Marketing of agricultural products:
 - in 2014–2015, the value of the marketed products by GACAR amounted to

⁵² CACU unpublished data.

⁵³ All activities and financial data in this section are extracted from the unpublished report of the GACAR board of directors as submitted to the GCPP General Assembly in 2016, attributed to the fiscal year 2014–2015.

EGP 520 million;

- the main marketed products were sugarcane (EGP 3.381 billion), cotton (EGP 80 million), wheat (EGP 51 million), soya beans (EGP 7.7 million) and rice (EGP 0.8 million).
- Providing agricultural input:
 - GACAR owns and runs a Production Requirements Fund with a deposit volume of EGP 115 million (including EGP 56 million in deposits from individual members of local cooperatives and EGP 2.9 million deposits from the member joint and local cooperatives);
 - the value of inputs provided to the members amounted to EGP 575 million, mostly made up of fertilizers (about 90 percent).

Main financial indicators

Table 16 illustrates the main financial indicators of the GCPP.

Table 16: Main financial indicators of the GACAR, 2014–2015

Item	Value in million EGP
Capital	2.6
Fixed assets	1.7
Current assets	86
Liquidity	399
Surplus	15.9
Reserve	196

Source: Unpublished report of the GACAR board of directors as submitted to the GCPP General Assembly in 2016, attributed to the fiscal year 2014-2015.

4.3 The land reclamation and reclaimed land cooperatives subsector

4.3.1 Coverage and distribution

The number of local LRRLCs amounts to 629 LCs, representing 10.9 percent of the total number of ACs in Egypt in 2014/2015. The LCs are divided into three main types: desert reclamation cooperatives (77), reclaimed land cooperatives (396) and land reclamation cooperatives (150), all of which are multi-purpose, in addition to six local specialized cooperatives.

At the district and governorates levels, there are 23 JCs and 16 CCs. Like the other subsectors, the LRRLCs also have their GC at the national level. The LRRLCs serve cultivated areas amounting to about 1.455 million feddans, or approximately 610 thousand hectares, which constitutes 17 percent of the total

cultivated area. The number of the LRRLCs has generally been increasing due to the expansion of land reclamation activities in new lands. Table 17 illustrates the trends in the total number of LRRLCs in recent years.

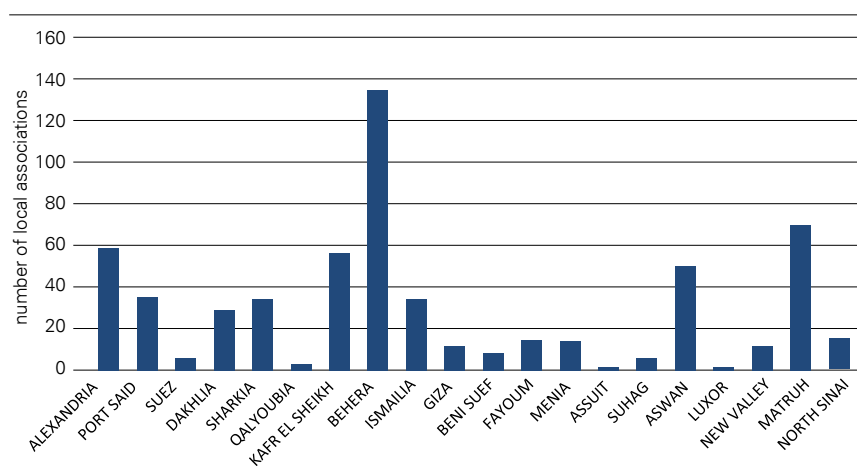
Table 17: Number of LRRLCs, 2010–2015

Years	No. of cooperatives
2010/2011	596
2011/2012	606
2012/2013	623
2013/2014	628
2014/2015	629

Source: Based on the data from CAPMAS, 2016.

The presence of several LRRLCs is contingent upon the existence of new lands and agricultural projects, considering that most governorates have varying areas of land affiliated to them. There are LRRLCs in 20 governorates but there is great variation in their distributions, as 47 percent of these types of cooperatives are concentrated in just three governorates: 141 in Behera, 73 in Matrouh, and 62 in Alexandria. Figure 10 illustrates the geographical distribution of the LRRLCs.

Figure 10: Geographical distribution of LRRLCs, 2014–2015



Source: Based on data from CAPMAS, 2016.

4.3.2 Membership

There were 299 thousand LLRLC members 2014–2015, constituting about 6.3 percent of all cooperative members.

Despite the law stipulating that members should automatically be transferred to LACCs after the land is cultivated and paid off and ownership is obtained, the reality differs. Administrative bodies demand that certain conditions are met and that ownership of the entire surrounding area (basin) is obtained, which is difficult to achieve, thus forcing members to remain in LLRLCs.

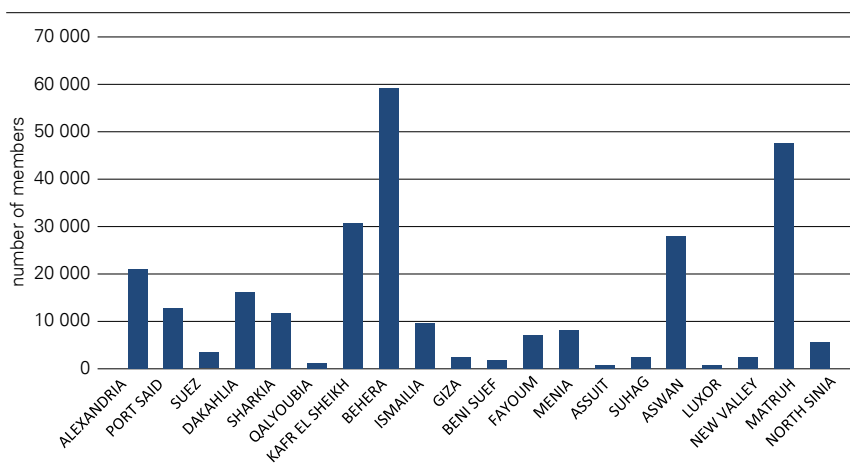
In parallel with the increase of the newly-established LLRLCs, the number of members witnessed a similar increase (Table 18).

Table 18: Number of LLRLC members, 2010–2015

Years	No. of members
2010/2011	4 402
2011/2012	4 552
2012/2013	4 494
2013/2014	4 671
2014/2015	4 793

Source: Based on data from CAPMAS, 2016.

In accordance with the distribution of the LCs, the distribution of members is also unbalanced and mainly concentrated in the three abovementioned governorates (Figure 11).

Figure 11: Geographical distribution of members of the LRRLCs, 2014–2015

Source: Based on data from CAPMAS, 2016.

4.3.3 Activities

Most LRRLC members cannot deal directly with banks because they do not have land ownership titles. As such, they rely to a large extent on their cooperative providing production inputs and partially marketing their products. The association acts as a legal entity that borrows from the banks and sells inputs in large quantities to members, who bear the cost of the interest in addition to the markup set by the cooperative. The cooperative further undertakes limited marketing activities, largely restricted to cotton and sugarcane (Table 19).

Table 19: LRRLC marketing activities

Item	Value in thousand EGP	Quantity	Unit	Area (feddans)
Crop				
Sugarcane	206 546	520 020	Tonne	13 225
Cotton	120 000	100 000	Kentar	10 121

Source: Based on data from CAPMAS, 2016.

4.3.4 Capital building

The main source of capital accumulation in LRRLCs is from membership fees and returns from transactions to provide production inputs. Thus, capital is further increased by growth in membership, as reflected in Table 20.

Table 20: Development of LRRLCs, 2010–2015

Years	Capital in million EGP
2010/2011	8.6
2011/2012	8.6
2012/2013	14.2
2013/2014	14.2
2014/2015	14.3

Source: Based on data from CAPMAS, 2016.

The amount of capital each LRRLC holds varies distinctly from one governorate to another, yet it does not necessarily reflect differences in performance as much as it is a direct reflection of the number of cooperatives and their members, which also varies greatly between governorates.

4.3.5 The General Agricultural Cooperative for Land Reclamation and Reclaimed Lands

The membership of the General Agricultural Cooperative for Land Reclamation and Reclaimed Lands (GACLRRL) includes 16 central cooperatives, with which 652 joint and local cooperatives are affiliated,⁵⁴ distributed across 18 governorates.

Main activities⁵⁵

- Providing agricultural inputs:
 - in 2014–2015, the value of fertilizers provided by the GACLRRL to its members amounted to EGP 569 million.
- Marketing of agricultural products:
 - the marketing activities of GACLRRL are restricted to sugarcane;
 - in 2014–2015, the value of marketed sugarcane amounted to EGP 2.016 billion.

Main financial indicators

Table 21 illustrates the main financial indicators of the GACLRRL.

⁵⁴ Based on CACU unpublished data.

⁵⁵ All activities and financial data in this section are extracted from the unpublished report of the GACLRRL board of directors as submitted to the GACLRRL General Assembly in 2016, attributed to the fiscal year 2014–2015.

Table 21: Main financial indicators of the GACLRRL, 2014–2015

Item	Value in million EGP
Capital	0.2
Fixed assets	8.1
Liquidity	59.4
Surplus	3.9
Reserve	36.9

Source: Unpublished report of the GACLRRL board of directors as submitted to the GACLRRL General Assembly in 2016, attributed to the fiscal year 2014–2015.

Chapter 5 – Enabling and hindering factors

This section summarizes and discusses the internal and external factors that may affect the AC sector. It merges the assessment of internal factors described in the previous sections with that of external factors that affect cooperatives. This assessment draws from interviewees' and the author's opinions, as well as from information from secondary sources, and is divided into two subsections. The first is based on the SWOT analysis, which provides a comprehensive picture of the largest number of positive and negative factors that influence cooperative development. The second provides an in-depth discussion on the negative aspects that need to be addressed, serving as the basis for recommendations on potential interventions that address these issues and obstacles. All factors are divided into internal factors that are attributed to the cooperative edifice itself, and external factors relating to the environment in which the ACs operate.

5.1 SWOT analysis of the AC sector

Table 22 features the results of a SWOT analysis that briefly captures the main positive and negative factors that affect or might affect the AC sector.

Table 22: SWOT analysis of the AC sector

	Positive factors	Negative factors
	Strengths	Weaknesses
Internal factors	<ul style="list-style-type: none"> • The strong development potential of the agricultural cooperative movement • The holistic, comprehensive edifice of ACs that covers all villages and almost all farmers countrywide • The wide outreach and coverage of all Egyptian villages (about 6 000 cooperatives) • The wide membership base (about 7 million farmers), which includes the vast majority of farmers, and almost all small farmers • The financial assets owned by ACs, which register billions of pounds, from the headquarters, lands, storages, machinery and equipment 	<ul style="list-style-type: none"> • The lack of awareness about cooperatives' specificities, issues and roles at all levels of society • The lack of administrative and technical skills among cooperative staff • The low capacity of the boards of directors in the majority of cooperatives • The low financial capacities of ACs • The complicated cooperative structure and the overlapping and duplication of tasks between units • The deterioration of headquarters and poor conditions of equipment and facilities • The lack of facilities and capacity to provide marketing and post-harvest services

-
- The long history of ACs, with their abundance of positive experiences and trust between farmers and cooperatives, which continues to constitute a foundation upon which to build, despite the declining role of ACs in recent decades
 - The existence of legislative regulations and bylaws for the cooperative structure
 - The ownership of productive and commercial projects that are successful, profitable and amenable to development
 - The difficulty to change and adapt as a result of the interference of administrative bodies
 - The unbalanced representation of ACs in CACU boards (48 percent of the board, at 60 members, represents less than 13 percent of the ACs)
 - The narrowness of the scope of work of many local cooperatives, which obstructs their operations as economic units
 - The lack of motivation for members to deal with their cooperatives (marginal cooperative advantages)⁵⁶
 - The absence of a cooperative bank
 - The lack of a training apparatus and activities
 - The lack of correspondence between the number of staff and the requirements of the ACs (a surplus of workers in some cooperatives constitute a financial burden, and a shortage in others delays work)
 - The (near) no-application of the principle of cooperation amongst cooperatives resulting in a lack of coordination and integration between the units of the cooperative edifice
 - The multitude of supervising and auditing bodies, which at times give contradicting instructions
 - The lack of transparent governance and democratic practices
 - Because of all abovementioned, the weak market position and competitiveness of ACs
-

	Opportunities	Threats
External factors	<ul style="list-style-type: none"> • Issues of lack of scale, representation at political level, influence in the market, etc. faced by small farmers could be addressed by well-established and well-functioning ACs. • The constitutional acknowledgment of cooperative ownership as one of the forms of ownership protected by the state, and the state's commitment to support and protect cooperatives 	<ul style="list-style-type: none"> • The lack of awareness of cooperatives and their principles in general, both by policymakers and society at large • The incompatibility of the current cooperative legislation with the conditions of a free market economy, even after the latest amendments in 2014

-
- The state's recognition of cooperatives and their importance as reflected in national strategies
 - The state's orientation towards adopting and encouraging the contract farming system and the issuance of a law regulating this system, as well as the establishment of the board of trustees to organize it, recognizing that contract farming requires the presence of strong farmers' organizations
 - The cabinet's decision to involve CACU in decision-making regarding agricultural price policy
 - The flotation of the Egyptian pound and the devaluation of the exchange rate increased the state's prioritization of domestic agriculture production, which marks an opportunity for further attention to be directed to the AC sector
 - The issuance of amendments to the Agricultural Cooperatives Law, which improved the conditions of cooperative work (to a limited degree), particularly the stipulation of the right of cooperatives to establish companies
 - The increasing international recognition of the role of small farmers as a target group and cooperatives as a tool for sustainable development, food security and poverty alleviation, which is reflected on donors' priorities
 - The existence of several micro-finance institutions that can provide loans to local cooperatives
 - Incomplete activation of the constitutional and legislative clauses and decrees that support cooperatives
 - The frequent changes in the leadership of MALR and other ministries, which limits the administrative bodies' understanding of cooperative work and weakens the relationship between them
 - The absence of a comprehensive vision to develop the agricultural cooperative sector
 - The lack of a clear direction and stability of agricultural policies, which obstructs the ability of cooperatives to plan their work in the medium and long term
 - The weakness of the role of the other non-agricultural cooperative sectors, and the failure to apply the principles of cooperation among cooperatives
 - The role of the Egyptian Agricultural Bank (EAB)⁵⁷ as a competitor against cooperatives, despite recent changes, and the placement of a large portion of cooperative assets at its disposal
 - The unstable general economic conditions and the attendant difficulties in doing business and planning in general
 - The severely competitive market due to fast economic and financial changes in rural areas
 - The cultural and political barriers regarding grassroots movements at large
-

Source: Author.

5.2 Discussion

This chapter presents an in-depth discussion of the challenges and obstacles that the AC sector in Egypt is currently facing, which are mentioned in summary in the SWOT analysis. These challenges are at the heart of the remarkable discrepancy between the ACs' initial purposes and their actual role and activities.

⁵⁶ Cooperative advantage refers to those benefits that members can achieve only through AC membership and that they would forfeit without it.

⁵⁷ Formerly the Principal Bank for Development and Agricultural Credit (PBDAC).

5.2.1 Enabling environment

Agricultural cooperatives in national strategies and agricultural policies

Since the 1990s, several agricultural strategies, programmes, and strategic plans have been developed, either sector-wide or for a certain subsector or issue. Most of them did not evolve into policies and action plans, therefore, they have only marginally been taken into consideration, if at all, when decisions are made. The most recent agricultural strategies are: the Strategy of Agricultural Development in Egypt until 2017 (launched in 2003) and the Sustainable Agricultural Development Strategy towards 2030 (launched in 2009).

The 2017 strategy briefly addressed the AC sector,⁵⁸ highlighting the targeted roles that ACs should play in the course of the liberalization of the Egyptian economy. Under the chapter “Mechanisms of the Agricultural Strategy”, a “new vision” of ACs was drawn up, based on the following concepts:

- cooperatives must be managed by their own members according to a democratic system of governance;
- as an NGO, the management of the cooperatives must be able to compete in a free market economy;
- physical, human and financial resources must be made available to the agricultural cooperatives;
- government intervention must be minimized;
- necessary training must be provided to improve the knowledge, skills and abilities of the cooperatives’ managerial staff;
- a new cooperative legislation must be enacted to ensure more flexibility for cooperatives to be self-reliant, as well as respond to market forces and take advantage of business opportunities;
- cooperatives working in the fields of production, marketing and input provisioning should integrate vertically for more efficiency and better benefits.⁵⁹

Under the same chapter, another important mechanism was “activating the cooperatives’ role in credit provisioning.” This included the gradual divestiture of PBDAC from non-banking activities. Credit provisioning was considered one of the new functions of agricultural cooperatives.⁶⁰ To enhance this function the following was proposed:

- Establish a cooperative bank in which every cooperative is required to contribute capital in accordance with its financial position. The cooperative

⁵⁸ The strategy included fewer than two pages out of 123 on the role of ACs.

⁵⁹ MALR, 2003.

⁶⁰ Providing credit was not a new activity in the ACs, as the strategy claimed, but a traditional and important role that ACs had played until 1976; so that the largest subsector of ACs was called credit cooperatives and this label is still used.

bank's resources in turn are made up of equity rights and deposits by the participating cooperatives.

- Increase self-financing capabilities by increasing the issued capital, releasing new preferential shares and funds, and building the bank's reserves.
- Encourage inter-cooperative transactions, including joint projects and inter-borrowing.
- Support multi-purposed cooperative insurance as a source of mobilization of cooperative funds, which could be employed to serve the cooperative goals.
- Consider the possibility of establishing partnerships with the private sector to mobilize financial resources beyond the reach of the cooperative sector.
- Develop the agricultural cooperatives so they function as economic entities whose activities exceed the villages' administrative belt.

The strategy acknowledged that the targeted vision for the ACs required "certain amendments to be introduced into the Cooperatives' Law and regulations" (MALR, 2003). Indeed, the strategy did not consider the institutional development of ACs as one of its pillars or objectives, nor did it include an explicit vision or framework in this regard. Nevertheless, almost all the above points are significant for the development of the ACs and could have played an important role in creating real and well-functioning cooperatives were they applied; no clear policies or notable action plans were developed to operationalize any of them. Furthermore, most of the decisions made regarding ACs tended to reduce support and growth of cooperatives while the trend to shift cooperative roles to PBDAC increased.

The second comprehensive strategy, the Sustainable Agricultural Development Strategy towards 2030, which was generally more elaborated, indicated a qualitative change in the approach to ACs. Although the strategy continued to view them as a mechanism to achieve its strategic goals – rather than an independent contributor to rural development and the growth of agriculture in the long term – and although ACs were also only briefly addressed,⁶¹ the strategy nonetheless explicitly considered the "institutional reform of agricultural cooperatives." It openly acknowledged many of the obstacles facing ACs as well as the need to restructure the cooperative movement and change its orientations and work modalities. Moreover, it directly criticized governmental interference in the cooperative sector:

Economic and political variables as well as economic reform programmes in Egypt have had their clear imprint on the economic system. Many laws and regulations governing the economic activities have been amended in order to give more freedom to the private sector to play its role in a free and

⁶¹ ACs are included in the strategy as a fourth level subchapter, occupying fewer than two pages out of 135.

competitive environment; the government continued its interference in the cooperative sector and has not taken serious steps towards its reform.

The strategy set the following objectives regarding the development of the ACs:

- amend Law 122/1982 in light of market economy requirements and international cooperative values;
- reorient the role of the administrative apparatus to serve the interests of its members' democratic management and internal monitoring;
- eliminate duplication of cooperatives' roles to consolidate financial and human resources, particularly at the village level;
- merge small cooperatives into larger, more economically viable entities;
- train cooperatives' staff based on a professionally functional structure and a defined business plan;
- allow cooperatives to establish different funds (for saving, financing, insurance, etc.);
- consider cooperatives as centers of disseminating modern technology in their area of operation;
- increase awareness and administrative functions for training programmes and material for the cooperatives' elected members;
- allow the cooperatives to establish and/or participate in an agricultural bank as well as in companies active in the field of agricultural development (MALR, 2003).

Indirectly, the strategy lent particular importance to ACs by including them as a contributing mechanism in five of its six strategic objectives, which are:

- Sustainable use of natural agricultural resources
- Increasing the productivity of land and water
- Raising the degree of food security of strategic food commodities
- Increasing the competitiveness of agricultural products in local and international markets
- Improving the living standards of rural inhabitants and reducing poverty rates in rural areas

Nevertheless, the development of the ACs was not one of the 12 national programmes and the 58 sub-programmes included in the strategy. As for policy, the strategy included 18 policy areas, none of which addressed the cooperative sector. Although the strategy treated the ACs as a separate sector and not as a part of farmers' organizations at large, a policy area referring to "Voluntary Farmers' Associations' Development Policy" could be applied to the ACs. Had this policy area been extended to agricultural cooperatives in the strategy, perhaps it would not have made a remarkable difference, since the strategy towards 2030 (like the 2017 strategy) has not been developed into action

plans and the majority of its programmes and sub-programmes have not been operationalized.

In conclusion, the impact of the existing and valid strategy on agricultural development can be seen in both negative and positive lights. On the one hand, it does not appropriately address ACs by setting specific programmes and policies that target their development. However, it has the potential to be supportive to any interventions or self-initiatives aimed at developing and strengthening the ACs.

As for policies, there is a shortage of clear and relatively stable agricultural policies; decisions are usually made based on ad-hoc conditions that can dramatically change from one year to the next. Policies are usually not explicitly endorsed and announced as such, but rather as operational decisions.

Announced policies (such as those included in the most recent strategy) are rarely translated into action plans, regulation or programmes. For example, for the announced policy of contract farming, although endorsed by law, the bylaws have yet to be developed, and accordingly the policy does not have the regulatory instruments to be implemented.

Legislative framework

The current Agricultural Cooperatives Law reflects the core transformations brought about by the 1952 revolution in terms of the government's understanding of cooperatives in Egypt and of their role. Accordingly, they were transformed from democratic, independent, organizations that worked in their members' interests to organizations that primarily serve to execute the state plans and operate as a tool for government policies. This constitutes a major obstacle towards the development of the AC sector in the long term.

The law amendment endorsed in 2014 did not change the essence or philosophy of the law and the current law, bylaws, and several ministerial decisions all contribute to depriving cooperatives of the freedom and flexibility required to operate within the market economy. This is difficult to justify given the sizeable withdrawal in state financial support for cooperatives and the changes in the economic system towards a free market economy.

It is important to note, however, that the law allows a space for the development and activation of cooperatives in the short and medium term, particularly considering the 2014 amendments, even if they are insufficient in the long term.

Governmental interference

The interference of administrative bodies in cooperatives' work still constitutes a hindrance to development, as it limits them from having flexibility and efficiency that are available to the private sector. For example, if the respective administrative supervisory entity objects to an AC board decision, a great

deal of time is wasted proving the validity of the decision of the boards of directors (particularly in cases where the cooperative is forced to resort to court arbitration).⁶² In addition, the administrative bodies interfere by appointing the manager of the cooperative or other staff who maintain affiliation with the authority that appointed them, in most cases. This exacerbates the consequences of the general lack of awareness on cooperatives' principles, values and other specifics, since the appointed officials often also lack knowledge regarding their legal rights and the limits to administrative interference. Some contend that legal knowledge on cooperatives' legal rights is indeed insufficient, since objections to an AC board decision by administrative bodies are always made on the pretext of claims of legal violations in accordance with the understanding of the law of the individuals making the objection. This poor knowledge of cooperatives' legal frameworks and objectives can halt or at least delay decisions and requires major efforts to allow them to pass. As such, cooperatives are largely dependent on the individual official to apply the law appropriately and understand cooperative work.

5.2.2 Internal factors of the AC sector

Lack of cooperative awareness

The lack of cooperative awareness is considered to be one of the most central problems facing ACs. The lack of cooperative awareness can be seen across low levels of understanding of ACs and the role they are supposed to assume; the legislative framework; the relationship with supervisory governmental bodies and the limits thereof; the internal structure of ACs; and the rights and duties of their members. This lack of awareness applies to almost the entire sector from base to top. Members cannot distinguish between the administrative bodies that govern the agricultural sector (such as the Agricultural Directorate, the Agricultural Extension Directorate, and the Cooperative Directorate) and the units of the cooperative structure itself. This confusion is due to several factors, including the fact that AC employees are usually appointed from the MALR and that the headquarters of the cooperatives are usually used for ministry employees, especially agricultural extension engineers. In addition, the cooperatives carry out assignments affiliated with the Ministry or common to both the Ministry and ACs.

The lack of cooperative awareness – coupled with the lack of incentives to participation from members brought about by the current legal and policy environment – severely and negatively affects cooperatives' effectiveness. The most important impacts are the lack of a sense of ownership or affiliation; poor turnout for board of directors candidacy, especially among those with strong

⁶² As an example, an administrative body objected to an activity that was decided by the board of directors in a public cooperative. The administrative body viewed the activity as a violation of the law, so the cooperative challenged the decision in the specialized court. The verdict was eventually issued in favor of the cooperative, but only after almost a year had gone by, meaning that the time allocated for executing the activity had already elapsed.

educational backgrounds or special skills; low participation in meetings, monitoring and decision-making and thus poor transparency; the decline in the importance and role of General Assemblies;⁶³ the poor representation of members' interest by the ACs; the almost entirely absent voluntary work in ACs; the understanding of the concept of cooperatives in itself; the status of cooperatives as organizations; and the roles, rights and obligations of their members.

Limited financial capacity and lack of adequate credit sources

Most ACs do not have sufficient funds to support their members, run businesses or compete with the private sector considering current market conditions, nor is there any trend towards capital accumulation. Most members likewise have limited financial resources, which pushes them toward the private sector since it can provide inputs that are either low in price (and in quality), or purchased on credit. The private sector provides instant payment whenever crops are marketed or even before harvest, which negatively affects the price, thus prompting farmers to purchase at unfavorable cost/quality ratios and sell at low prices. At the same time, ACs face difficulties performing their functions (e.g. providing farmers with inputs and convenient price quality ratios) to their maximum potential or achieving surpluses. On the one hand, the state passively contributes to this problem since it does not offer ways to improve the financial situation (e.g. by ensuring the same standards for the quality of farm inputs sold by cooperatives and by the private sector). On the other hand, the state also actively exacerbates the problem either through excluding ACs from carrying out functions that are cooperative in nature and delegating those functions to other bodies (such as marketing strategic crops),⁶⁴ or through delays in payments that ACs may claim from the state.⁶⁵ Even ACs in charge of profitable productive or commercial enterprises almost entirely lack a cooperative perspective, both among members and on an institutional level, since the success or failure of a cooperative is not measured in terms of its support to members. Rather, these enterprises have become indicators of success in their own right, with no regard as to whether potential returns are invested in activities that may improve the economic situation of members (with the exception of a few cases). Indeed, many of these activities are

⁶³ Within the framework of this study, the consultant attended two General Assemblies that are considered the most important for the agricultural cooperative sector, namely the General Assembly of CACU and the General Assembly of the GAMSC. In both instances, no serious discussion took place and no meaningful decisions were generated. Rather, the meetings constituted a pro forma measure.

⁶⁴ The Prime Minister's decree did not include ACs among the entities assigned to market wheat this year, even though both law and constitution declare this as an AC function.

⁶⁵ One of the local ACs included in the study participated in marketing 2016's wheat crop; at the time of the interview, it was still owed payment by the state. Since farmers cannot wait for payments, the AC was forced to issue payments in ways that caused serious problems for both the AC itself and the officials in charge. This is not an exceptional or rare occurrence.

purely commercial, with no relation to agriculture and thus no contribution to agricultural or cooperative development.

The main reasons for the limited financial capacities and cumulative capital of ACs are:

- the absence of a cooperative bank (although allowed by the AC Law)⁶⁶ or effective financing mechanisms;
- the devaluation of members' shares through the high inflation rate, particularly after the flotation of the currency in 2016;
- the limited and uneconomic scale of activities (members' farmed surface) among many ACs;⁶⁷
- the limited capacities (or willingness) of CACU and the GCs to provide financial support to ACs because of the weaknesses of the entire cooperative edifice and its limited business volume and market share;
- the absence of a cooperative advantage that would encourage members to prefer ACs over the private sector;
- the poor human resources (boards of directors and employees) and their limited capacity to fully utilize available economic resources (capital or material assets) or tap into resources through different means (many ACs deposit their capital in current bank accounts);
- the deficit of technical, agricultural or marketing information as well as the lack of know-how and access to feasibility studies;
- the absence of state support for cooperatives (disposing of all subvention and exemption from duties and taxes) or discriminatory practices against them.

Weak institutional capacities

As a result of these issues, cooperatives suffer from weak institutional capacities, whether in terms of human resources, operations and systems, or physical equipment.

Training activities are largely pro-forma and do not result in notable improvements in performance. Moreover, the number of staff in each cooperative does not correspond to actual needs: a cooperative with a few hundred feddans may have the same number of employees as one with several times that. This translates to a major shortage of labor in some cooperatives, causing basic tasks to go unexecuted, such as the creation of an inventory of

⁶⁶ Article 17 of the ACL states: "Cooperatives are entitled to establish a cooperative bank with contributions of cooperatives in their capacity as artificial persons, and their members, in order to provide loans, and to establish projects necessary for cooperatives of different levels and types."

⁶⁷ The legal minimum for an AC's scope of activity is 750 feddans; however, the law granted governors the right to declare exceptions, which is widely applied, especially in Upper Egypt.

agricultural areas. Meanwhile, other cooperatives suffer from the opposite: a surplus of workers and veiled unemployment, while also being responsible for paying bonuses to this unproductive labor force.

The cooperatives lack clear procedures and guidelines for operations, apart from internal bylaws instituted by the MALR as part of the regulations for cooperative work. Cooperatives rarely implement additional internal regulations. The weakness of the information and documentation system is considered a major shortcoming in the institutional status of cooperatives. Generally, cooperatives, particularly in the lower levels of the cooperative structure, do not develop decision-making support systems (e.g. enterprise resource planning software, adequately maintained documentation and information systems). At the national level there is also no database available to assist in targeting and designing interventions to assist in improving the performance of cooperatives (e.g. training or cooperation among cooperatives).

With regards to physical space, the headquarters and offices in most cooperatives are in poor condition and do not have the basic equipment necessary to manage their operations. Their work rarely relies on computers (an issue that undermines transparency); thus, there is no electronic networking across cooperative units.

Weak boards of directors and democratic practices

Most board members in cooperatives are of advanced years with a low educational status. The clear majority of the boards have occupied their positions for extended periods of time, at times decades; they are usually re-elected in a pro forma manner or based on consensus (by acclamation). Despite their long experience as board members, they lack basic knowledge and awareness regarding most of the aspects of real cooperative work.

The main factors responsible for the weakness of most boards of directors are:

- Only farmers who have been working in agriculture for at least 10 years prior to their candidacy and whose main source of income is from agriculture are eligible for board membership. This definition of farmers (adopted from the Law of Political Rights) currently applies to a minority of mostly old and less educated persons.
- Relatives up to the fourth degree are not allowed to be members of the same board. This narrows the range of potential board members to a large degree, since many villagers are in one way or another related.
- According to the law, no educational background is required for board members; the only requirement is that they be literate.
- Pre-determined incentives for board members are very low and have in fact become even lower owing to high inflation rates. Therefore, membership is unfavorable for skilled and educated young people.

- According to traditions in most rural areas, it is disrespectful to run against an older person or heads of families and extended families.
- The low cooperative awareness and the lack of understanding of the role that should be played by the boards of directors, as well as the limited services provided by the cooperatives, lead to a lack of interest in the elections, and even in cooperative affairs at large.

All these factors led to the current situation in which boards of directors do not meet their potential and have largely given rise to the absence of a new generation that can rise to leadership positions in the future.

Structural discrepancies

The structure of the cooperative sector is extremely complicated and suffers from significant deficiencies. Among the most critical of these is the division of the sector into three subsectors (credit, agrarian reform and land reclamation), which have the same mandates and act under the same law. However, the reasons for the establishment of the agrarian reform and the land reclamation cooperatives are presumed to be temporary, and as such they should be rendered obsolete once the reasons for their existence cease to exist. This means the members of both subsectors are supposed to move to the LACCs in their areas. This should occur when the ARC members complete paying back for their land to the government and become “effective” owners (which takes decades) and when the LRRLC members both settle their loans for their lands and cultivate them. Although almost all ARC members and the majority of the LRRLC members fulfill these conditions, most of them are still members in their ARCs or LRRLCs. On the one hand, ARCs and LRRLCs do not want to lose their profits by losing their members;⁶⁸ and on the other hand, their members are not motivated to move since the ACCs do not provide better services than their cooperatives.

The horizontal cooperative hierarchy of each subsector (national, governorate, district and village levels) adds to the complexity of the system and makes it less efficient and transparent, particularly since all these layers act as distributors of inputs rather than real service providers to their members.

A final important discrepancy of the cooperative structure is the overly small agricultural areas and consequently business sizes of many local cooperatives, which prevents them from functioning economically.

⁶⁸ There is no official explanation for this situation; however, several informants stated that in the event that members of ARCs or LRRLCs wish to move to the CCs in their village, they usually face deliberate administrative obstacles to prevent them from moving.

Chapter 6 – Success stories in the cooperative sector

This section aims to share a few examples of initiatives that succeeded in providing support for the creation of effective agricultural cooperatives in Egypt and therefore to feed the discussion held in the next chapter on recommendations how to improve the contribution of cooperatives to agricultural and rural development in Egypt. Annex 2 describes other important initiatives with non-cooperative farmer groups.

6.1 Organizing Small Farmers Initiative

The approach of organizing farmers adopted by the Coptic Evangelical Organization for Social Services (CEOSS) is a notable way to change living conditions, through the services a cooperative can provide to its members. The organized farmers' groups are voluntary, locally-based groups that are managed and formed by smallholder farmers who own small areas of agricultural land (3 acres or less). CEOSS helps them move from individuals within a large market who do not interest agricultural decision-makers to a collective centre of power in the market in relation to agricultural policies.

6.1.1 Stages and steps of forming farmers' organizations

Stage 1: Forming small farmers' groups at village level

CEOSS's idea of forming farmers' groups was based on the complete and effective participation of the small farmer constituencies, where each constituency within a community ranges from 200 to 400 farmers. The intervention started by mobilizing potential members at the level of local communities, where the promotion for the formation of farmers' groups was through direct communication with the small farmers, awareness meetings, guidance seminars, and home visits. This communication emphasized the importance of those groups, presented their benefits and laid out their membership criteria. During this stage, several democratic and organizational principles and procedures were established as follows:

Principles and ethics as a basis for establishment. In the process of establishing the community level farmers' groups, CEOSS pursued the principles of empowerment, transparency, social justice and non-discrimination. Full opportunity was given to all the community categories regarding participation, selection process and representation in the groups. Women were encouraged and urged to participate in all steps of the groups' formation.

Representation, selection and practicing democracy in elected committees (ECs).

Representative committees had to be formed inside the local communities from among the farmers' groups to manage their internal and external affairs. A nomination process was therefore opened for elections to select a committee to represent the groups at the level of each of the target communities. The elected committees' main roles and responsibilities are communicating with farmers and convincing them to participate in the farmers' groups, planning, and bringing farmers' problems to officials.

Structure through technical support. Upon the completion of the election and selection process, the farmers' groups – with technical assistance from CEOSS – structured the ECs representing them by choosing a head, secretary, treasurer (financial representative) and members. In order to ensure the sustained participation of the community-based organizations (CBOs) within the farmers' groups, and to ensure the linkages between the roles of the CBOs and the groups, two of each CBO's board members were selected as members in the EC representing the farmers' groups. Through the participation of the ECs' members and outsourced technical assistance, by-laws were formulated to organize the work within the groups.

Stage 2: Expansion in group work at governorate level (governorate-level EC)

Later, governorate-level elections took place to form a superior EC (18 members) at the level of each governorate to manage the affairs of the farmers' groups in the communities. The superior committees were formed through elections among the community level ECs' members in each governorate, to adopt governorate-level agricultural and advocacy issues concerning small farmers.

Stage 3: Transferring into a registered entity for sustainability

As the superior ECs practiced their main role at governorate level, they strived to be registered as legal and legitimate entities to sustain the successes achieved, maximize their effectiveness, and set a formal profit and loss system for farmers. By studying the best legal shapes through which the governorate-level ECs could transfer into legal entities, it was found that it would be best to register three farmers' cooperatives (FCs) in Minya, Beni Suef and Qalyoubia according to the Agricultural Cooperatives Law 22/1980.

The registered FCs provide various services for their members, being economic and social units that aim to develop the cultivation of profitable crops. The FCs also contribute to rural development in their governorates in order to enhance the socio-economic conditions of their members within the context of the public governmental plans. Specifically, the FCs carry out the following roles: (i) providing services for the members who cultivate crops and following the plan agreed amongst the members within the context of the public governmental plans for their areas of work; (ii) carrying out marketing studies; (iii) working on the cultivation of safe and clean crops free of chemicals and

compliant with the international specifications for production; (iv) participating in organizing land cultivation according to scientific principles, in cooperation with the governmental agencies, local governance units and research centers; (v) marketing crops produced inside the FC's area of work; (vi) adopting governorate-level advocacy issues in favor of farmers, such as access state-owned equipment and services, simplification of bureaucratic procedures, control of irrigation water and fertilizers quotas, etc.

By applying a rights-based development approach when organizing male and female smallholder farmers in groups within each community, those groups practice democracy by selecting their representatives. Those representatives join the three officially registered FCs at the level of the Qalyoubia, Minya and Beni Suef governorates. The FCs at governorate level represent the member smallholder farmers in front of the governmental institutions as well as the private sector. Moreover, through building the capacities of the CBOs, ECs and FCs, activities are implemented in collaboration with the concerned stakeholders.

6.2 Al Saeda Village Agricultural Cooperative

Al Saeda Agricultural Cooperative is a local, multi-purpose cooperative in the village of Al Saeda in Al Amereya, Alexandria. It is active in Al Saeda, Al Hezam Al Akhdar, Abu Masoud, Al Horeya and Baghdad, and was registered on the 23 September 1996. The cooperative covers an area of approximately 8 000 feddans. Winter crops include wheat, beetroots, fava beans, artichokes, potatoes and clover. Summer crops are corn, cotton, tomatoes, bell peppers, cantaloupes and watermelons.

The main activities conducted by the cooperative are:

- Conducting educational agriculture forums;
- conducting extension activities in demonstration fields introducing the newest agricultural methods and strategies;
- providing supplies (fertilizers, seeds and pesticides, but also others according to the needs of the members, such as medical supplies)
- teaching literacy classes;
- running social, educational and religious awareness activities;
- lending agricultural machinery (for ploughing the land, transporting supplies and tools and disinfecting streams and sewers);
- marketing crops produced across the cooperative's covered area;
- leading training courses in various fields related to animal and agricultural production and manufacturing.

The cooperative continues to develop. In the future, the cooperative intends to:

- found marketing firms run by the cooperative's members;

- establish associations to export vegetables produced within the cooperative;
- raise the cooperative's production standards to meet requirements for export to EU markets in line with the GLOBALG.A.P. to ultimately render the region an EU-approved exporter;
- create a members' association in charge of launching an agricultural mechanics workshop that provides services and machinery to members;
- establish processing and collection bodies to counter the scarcity of some crops during harvesting seasons;
- invest in the development of services supporting agricultural production, such as crop storage and seed production.

Development and Cooperative Training Project

The cooperative benefited from a project launched in 1984 with the objective of improving the livelihood and living conditions of members and beneficiaries by developing and supporting agricultural cooperatives, their activities and self-sufficiency. The project targeted smallholder farmers, young graduates and members of the agricultural cooperatives in a number of governorates: Alexandria, Behera, Matrouh, North Sinai, Ismailia, Kafr Al Sheikh, Sharqeya, Daqahleya, Al Fayoum, Asyut, Sohag, Aswan, and Al Wady Al Jadeed.

The project's main objectives were to:

- transition cooperatives in newly reclaimed lands from governmental supervision to self-governance;
- provide facilitated grants and credits to cooperative members through the revolving fund to finance small production projects;
- create job opportunities by launching small production projects and training beneficiaries to run them;
- improve and diversify income and empower women's participation.

These objectives were pursued through research, training programmes, small production projects, arts and crafts, agricultural processing and women-oriented activities. The project offered training programmes in the following areas:

- cooperative and technical training for the members of agricultural cooperatives, their boards of directors, and institutional bodies;
- integrative programmes for agricultural extension activities;
- agricultural manufacturing activities as appropriate for the local environment;
- a credit fund with facilities for beneficiaries, graduates and agricultural cooperatives;
- many small-scope, income-generating agricultural production programmes;
- programmes that strive to support rural women in their local communities socially and economically.

Chapter 7 – Conclusions and recommendations

7.1 Conclusions

Within the framework of the international movement to support small farmers, and due to the challenges posed by extreme land fragmentation as well as the economic challenges facing Egypt and its agricultural sector, there is a pressing need to organize small farmers and agricultural producers. This should be highly prioritized in terms of national and international interventions.

There is consensus between relevant officials and farmers' representatives shown during the field work conducted for the study at hand that ACs are the main and most important agricultural production organizations with an incomparable potential to confront the land and economic challenges. They further affirm that, despite the declining role of ACs, farmers still maintain a degree of association and trust in them as organizations and appear to be ready to work through them and consolidate them.

This opinion is built on many factors, namely the over century-long history of ACs in Egypt, and their large reach, as well as the positive relationship between farmers and ACs across the various stages of history. This has created a firm base upon which to build. The width of the base, which covers nearly the entirety of Egypt's villages and farmers, along with the databases, human resources and physical assets at the disposal of ACs is itself a positive factor.

Despite these promising positive factors and their high relevance, there is an enormous discrepancy between the marginal role currently performed by ACs versus the role they should play in supporting farmers, helping them confront their issues, and representing their interest to other parties.

Several obstacles stand in the way of ACs properly performing the roles they are meant to carry out, although most them stem from one main source, which constitutes the structural defect that arose in parallel with the third stage of the history of ACs.⁶⁹ This source is the 1952 revolution, which caused a leap in the number and activities of ACs, as well as their importance to the state and farmers. However, this leap caused the ACs to lose their cooperative nature and established the levels of this base through a top-down approach, in contradiction with the natural development of any cooperative movement. Thus, there is an overwhelming perception that the base (local) level of the ACs serve

⁶⁹ See Chapter 3.1 for additional information.

the interests of the higher levels, rather than the opposite. This gave birth to chronic defects that still exist until today, topmost of which are:

- the transformation of ACs into organizations with an unclear identity (largely resembling semi-governmental organizations);
- the marginalization of the role of members and boards of directors;
- the absence of a feeling of ownership over ACs among the members and upper management;
- loss of the capacity for proficient and effective self-management;
- transfer of the government's bureaucratic nature and processes to the ACs;
- inability to achieve earnings and financial growth;
- loss of the ability to create cooperative benefits to support members and provide them with a sense of belonging to their ACs.

Based on this, the crisis of organizational identity for Egyptian ACs⁷⁰ is the core problem that stands in the way of significant cooperative development. The ACs lack clarity in terms of the institutional procedures that they should follow, for they are neither completely free cooperatives according to the principles of cooperation, nor are they governmental entities that are funded and administered by the state. They also do not enjoy flexibility in governance and capital formation or profit-orientation of private sector companies – rendering them often less capable to address market demands – nor are they able to attract external donations as volunteer-based charities. Rather, they take on some of the characteristics of each system – often the worst of them (such as the bureaucracy of the government in their administrative patterns).

This issue is inherently tied to the near-complete absence of cooperative awareness, including the understanding of the concept of cooperatives itself, the status of cooperatives as organizations, and knowledge of their structures and roles and the rights and obligations of their members. This lack of awareness is apparent in all the base members and the majority of leadership members of ACs, as well as the relevant government officials and decision-makers, and even society as a whole.

The problems related to the institutional aspects are among the most important and pressing of the internal factors affecting the performance of cooperatives. The most prominent issues include weak managerial and technical capacities and the lack of communication between members, staff and boards, as well as the lack of clarity regarding mandates and authorities. Not far behind are deficient financial management, an underdeveloped administrative system, and the weak vertical and horizontal integration, leading to a lack of coordination.

⁷⁰ This extends to cooperative sectors beyond just ACs.

Furthermore, the institutional weakness is reflected in the deterioration of headquarters and office equipment.

The majority of ACs suffer from weak financial positions due to the decline in the value of shares and the size of businesses that contribute their main sources of income. Other reasons are the absence of a credit provider (e.g. a cooperative bank) that loans to ACs as legal entities. The removal of the majority of governmental support that ACs once had contributes to their poor financial position, which is exacerbated by the inability of most cooperatives to optimize the assets and funds available to them. For instance, when cash is available it is often simply deposited in a bank (usually into a current account).

Poor governance and lack of democratic practices are among the internal weaknesses of cooperatives, as many of their boards of directors are incomplete and the members of the boards are insufficiently skilled for their positions. This is aggravated by the fact that the boards are elected in a pro forma manner or are chosen based on consensus (testimonials). This practice is reflected in the upper levels, whereby meetings of the General Assembly and CACU are held on a national level without any true discussions or decisions taken, suggesting it is all a formality.⁷¹

There are wider-ranging issues that fall outside of the control of the ACs themselves, namely those related to the enabling environment: existing legislation for the short and medium term, by-laws, ministerial decrees and AC internal regulations.

There is a lack of clear strategies and consistent and stable policies towards ACs (or even agricultural policies at large). The Constitution and the official national strategies acknowledge the ACs and their importance; however, they do not appropriately address them by setting specific programmes or policies that target their development. Nevertheless, such strategies indicate that the government is supportive of interventions or initiatives aimed at developing and strengthening the ACs.

The governmental interference in the management, decision-making and operations of the ACs constitutes a main obstacle. It limits the cooperatives and deprives them of the flexibility and efficiency that are available to the private sector. The relative success of a cooperative is largely dependent on the cooperative's awareness and understanding as well as the personal attitude of the supervising officials.

In relation to the previous point, there are structural issues that diminish the efficacy of ACs, most importantly the division of the AC sector into

⁷¹ Within the framework of this study, the author attended two of the most important of these assemblies; the annual CACU meeting and the MACS meeting.

three subsectors. The hierarchical structure within each subsector leads to a complicated structure in which specializations and tasks overlap and intersect.

Despite the retreating support from the state for the ACs, which was the only justification for its involvement in their affairs since the adoption of the centrally-planned economy, the direct or indirect intervention of administrative authorities in the work of ACs is ongoing and continues to obstruct their performance. However, the heterogeneity in approaches found amongst the ACs, and those in charge of them, as well as the government officials in charge of supervising them, all contribute to creating a variation in the extent of the state's influence on each respective AC.

Because of all the previously mentioned factors, the role of cooperatives has diminished, particularly multi-purposed cooperatives which partly act as an executive arm of the MALR in tasks such as surveying and registering agricultural holdings, documenting the cultivated areas of each crop, and distributing the subsidized portion of fertilizers and pesticides for cotton crops. At times, they are also delegated the task of marketing production (for crops whose market is still controlled by the public sector), which vary from year to year, whereas the activities undertaken by the cooperatives themselves are almost entirely limited to trading in certain pesticides and establishing production projects on commercial bases. This role differs in size and degree between the various cooperatives.

The continuation of the status quo will sooner or later lead to the complete dissolution of cooperatives. They do not have any competitive capacity allowing them to maintain their position against other market players, all of which incomparably surpass them in terms of capacity, market share and flexibility of operations. Among these players are the private sector, PBDAC, the major production and exporting unions, and chambers of commerce.

The structural and legislative issues affecting cooperatives in general, no matter their size or influence, ensure that the development and activation of cooperatives in the long term are contingent upon resolving these issues, whereby:

- the utmost potential as predetermined by the enabling environment and the given cooperative structure has not been reached, i.e. there is still a huge development potential under the given cooperative law and structure that has not yet been fully exploited;
- many of these obstacles can be bypassed through changing by-laws and ministerial decrees, raising cooperative awareness, developing the institutional capacities of the ACs and adopting simpler internal regulations and procedures;
- some cooperatives could achieve clear successes in various fields and to varying degrees in the same framework, due to individual factors such as higher levels of awareness, well-educated and active managers or heads or boards of directors, and/or an open-minded and responsible official.

There are major opportunities for urgent short- and medium-term interventions that can significantly contribute to transforming cooperatives into effective, self-reliant organizations that support their members, produce a strong boost in agrarian and agricultural development, and help ensure food security. This does not necessarily require core structural changes, the adjustment of the legislative framework⁷² or the provision of enormous funding.

7.2 Recommendations

The purpose of this study is to guide practical interventions to support the AC sector, whether they come from the bodies responsible for conducting the study or other parties, whether local or international. As such, these recommendations were made taking into consideration the historical background of the ACs, which continues to influence their work, as well as the overarching conditions in which they work, including the power balances between the different parties. Based on this, the following principles constitute the governing framework for the recommendations:

- Practicality, meaning the actual applicability of the recommendations in the short and medium term
- balance between what is important and what is urgent
- building on existing frameworks to optimize them instead of attempting to rebuild them
- considering the existing primary legislations and infrastructure as givens, and working within their framework, as well as finding ways to cope with them
- sustainability
- capacity to spread and replicate
- reliance on the resources owned by cooperatives as much as possible, in a sustainable manner

7.2.1 Potential target groups

- The ACs should be the primary beneficiaries of potential interventions that aim at promoting agricultural POs.
- Priority should be given to the subsector of the ACCs (both its types: multi-purpose and specialized), since they represent the clear majority of ACs and

⁷² Even under the current law, principles of independence or democracy could be put in practice with the election of board members and appointment of managers through General Assemblies. These institutions would be de facto cooperatives, despite a law that does not guarantee these core cooperative principles. The main hindrance in this case would be a membership base that is historically formed by non-voluntary members who may have very heterogeneous interests in the organization and who are not familiar with the management of a cooperative. This may make reaching a democratic agreement on financially feasible options difficult.

AC members. Unlike the ARC and land reclamation subsectors, ACCs are permanent by definition.

- The activities of potential interventions targeting the ACs should be divided into two types: (i) wide-scale (macro level) interventions and (ii) pilot (micro level) interventions.
- In parallel, the authorities responsible for supervising the ACs, as well as other relevant entities, should be addressed as secondary beneficiaries. The targeting of said authorities should facilitate the work of ACs while paving the way for changing their role, both qualitatively and quantitatively, in the long term.
- Non-cooperative POs should be targeted with activities that support networking and exchange of mutual interests with the ACs, creating a win-win situation that benefits from the capacities of the more modern, efficient non-cooperative POs in the process of developing the ACs.

7.2.2 Wide-scale (macro-level) interventions

The ultimate priority must be given to raising awareness, restoring the identity, and recreating the image of cooperatives. This is the foundation that must be built, without which there can be no significant and sustainable development of ACs or benefits from any other interventions undertaken to support them – including institutional development, or financial and technical support. The groups targeted by the awareness activities should include AC members and leadership on all levels, as well as governmental entities related to cooperative work, and relevant decision-makers, in addition to public opinion. This requires employing various awareness-building and mass communication tools as well as advocacy. Traditional and non-traditional tools should be used such as seminars, published literature, posters, websites and text messages. This suite is based on specialized studies to be undertaken on the optimal selection of communication tools and the most suitable message content for each targeted group. The greatest focus should be on members and leaders of ACs to familiarize them with the intended role and identity of ACs, as well as their personal rights and duties. It should also inform them about their roles, relevant legislation, and cooperative structures to create a sense of ownership over the ACs so they can manage them in a way that achieves their primary purpose as self-help economic organizations with a social solidarity dimension.

In parallel with, and complementary to, the previous point, institutional development should be the core of interventions to support ACs. Institutional development should not be limited to simply training members; rather, the concept can be expanded to developing the various aspects of the institution, most prominently training, building the administrative and financial systems, and forming the communication systems.

With regards to training, it is recommended to work along three axes:

- basic training on cooperatives targeting staff, boards of directors and relevant officials;
- administrative and financial training on two levels: basic for staff and board members, and advanced for administrative employees (cooperative accounting, auditing, cooperative administration and entrepreneurship administration);
- technical training for specialized groups (agricultural, marketing, logistics, computers and information technology, communication skills training, quality control, funding and loans, and insurance fund management).

Training activities must take emphasize the importance of the following:

- conducting accurate training needs assessments of each segment;
- identifying local training institutions, both cooperative and non-cooperative, and specifying what they can offer, supplementing the deficit with external expertise;
- setting clear criteria for the selection of trainers, and forming an impartial committee from outside the sector to supervise the selection process;
- prioritize replicability and sustainability of the training activities through the introduction of training materials and comprehensive training portfolios for each topic (trainer and trainee manuals, methods of training, and means of presentation) and relying primarily on “training the trainers”;
- sending carefully selected staff members to certificated training course locally and abroad;
- using nontraditional methods to publicize the training programmes (such as YouTube, video conferencing, interactive websites and online courses).

With regards to improving the administrative and financial systems, it is recommended that interventions should work on:

- developing standard, simple, internal regulations that can be adopted and adapted by each type of cooperative (among the most important recommendations is that the internal regulations should stipulate that passing the basic training programme on cooperatives is one of the conditions of nomination for positions and promotion to higher levels – once such courses are made widely available);
- the development of administrative procedures, removing the bureaucracy that was inherited from the government, as well as the overlapping and repetition of functions amongst cooperatives types, by optimizing the space left by legislation while working to change or issue ministerial decisions, if needed;
- developing and unifying the accounting system on cooperatives, unifying the financial indicators, creating specialized software applications and training accountants to use it;

- establishing an institutional development unit in the CACU and qualifying it to provide support and guidance on the administrative and financial levels.

With regards to improving the information and communication systems, the following is recommended:

- Establish the base for the computerization of cooperative work, starting with the higher levels (CACU and the GCs and CCs) as well as the pilot cooperatives.
- Building on this, and in collaboration with the Central Agency for Public Mobilization and Statistics (CAPMAS), an information system should be created, stemming from an information unit within CACU or the general multi-purpose cooperative (GMPC).
- Initiate the electronic connection of cooperatives and seek the horizontal and vertical integration of information exchange. To facilitate practical considerations, this can begin with vertical link between the levels within each subsector, and according to the availability of resources, determine the levels that can be linked. This would be assisted by the national project issuing electronic cards for agricultural holdings that was initiated by the MALR in an experimental phase in several governorates, and the large database available to it.
- The information system must work on restructuring the agricultural information system in general, whereby the information goes directly from its source to the cooperatives.
- The communications and information system must propagate pioneering experiences and the exchange of experiences between cooperatives.

Regarding strengthening the role of CACU, the following is key:

- Establish a cooperative auditing unit as an institution affiliated with CACU (alternatively, it can be established as an independent public association).
- Create a credit services unit, which should be an information center for all types of funding available to cooperatives such as grants or loans. It should also act as a mediator between the funding entities and the cooperatives and a negotiator on behalf of the latter with regards to the terms of the loans, in addition to providing financial guidance to the societies.
- Set up a cooperative guarantee fund to raise the creditworthiness of cooperatives and increase their chances of accessing funding.
- Establish a Technical Support Unit for enterprises formed by the cooperatives or their members. The unit would work on or assist in conducting feasibility studies and discovering investment opportunities in the market, as well as connecting the ACs with non-agricultural cooperatives in the private sector (for example, consumer or production cooperatives, or food factories and supermarket chains).

7.2.3 Pilot (micro-level) interventions

Given that cooperatives have moved on from the decades when they worked effectively but lacked the features and philosophy of cooperatives, to decades in which they have also lost efficiency, public interventions to improve awareness and institutional capacity need to produce tangible practical achievements in the lives of farmers and cooperatives. Specifically, they need to send a practical message, alongside the theoretical one, that shows all parties, from cooperatives to government officials and decision-makers, that cooperatives can play a significant role in the development of the agricultural sector.

Two types of pilots that differ in the selection of the targeted ACs could help achieve this:

Type 1: Representative cooperatives

This pilot intervention would seek to present a model for the development and activation of cooperatives that are representative of the whole sector and transform them into “real”, successful, effective and efficient cooperatives that are capable of growth and work in accordance with cooperative principles as much as possible. It is recommended that medium-level cooperatives (in terms of their financial and institutional status) should be selected, so as not to be clearly strong, thus attributing the success to their own circumstances, and at the same time not very weak, thus reducing the model’s chance of success. Ideally, this model should include a vertically-integrated bottom-up line, i.e. one or more local cooperatives, as well as the JCs to which they belong, the CC that they are affiliated with, and if possible the GC above them. If this exceeds the available capacities, it is possible to shift to the second-best option, which is limited to undertaking major development procedures at the local level while providing some support and motivation as well as coordination with the higher levels.

Suggested activities and interventions:

- Computerize procedures.
- Integrate small local cooperatives.
- Establish cooperative enterprises, alongside a widening the base of contribution to them as much as possible between members and the private sector, if necessary.
- Investigate the value chain and implement contract farming wherever possible, while providing technical and institutional support and representing the cooperatives’ interests in relation the parties to the contract.⁷³

⁷³ As an example of the importance of this role, sugar production companies, whether from beet or cane, insist on individual contracts with all farms separately, where the producer does not even obtain a copy of the contract. Many practices occur that are very damaging to producers’ rights, exemplifying what a cooperative can do as a contractor on behalf of its members.

- Aggregate small areas applying collective farming (while maintaining private property and private returns).⁷⁴
- Apply agricultural best practices in the collective area.
- Provide agricultural extension services (the extension services offered by the MALR are almost non-existent). Moreover, along with traditional extension methods (such as visits, seminars and field extension), cooperatives must devise innovative methods (such as paid extension services, free or paid technical training, film production, YouTube, websites, posters, flyers, TV programmes, text messages, contests, etc.). Cooperatives must open direct channels of communication and create cooperation protocols with the relevant research organizations, and simultaneously benefit from and coordinate with the Extension Sector at MALR as much as possible.
- Distribute the largest possible quantity of production inputs, sold on a purely commercial basis to non-members, while devolving surplus, applying special prices or special credit conditions to the transactions with members, creating a sense of cooperative advantage to members.
- Provide mechanization services and purchase and/or rent machinery, working as an intermediary/partner for the Land Improvement Sector at the MALR. Appoint and train technical personnel for operation and maintenance.
- Link farms to markets and provide marketing services on a cooperative basis (mass transport, post-harvest transactions, better prices, direct consumer access, partnership with consumer cooperatives or establishment of consumer cooperatives, marketing fairs, and permanent sales outlets).
- Establish a risk insurance fund to balance prices, depending primarily on the cooperative fund and the contributions of members.
- Institute a cooperative savings and lending fund as well as revolving funds (which could also act as the executive arm of micro-credit programmes).⁷⁵
- undertake activities and projects that serve the environment and achieve a developmental return, such as recycling agricultural and domestic waste, producing biogas, using solar energy, improving the environment of the village, etc.
- Initiate gender-sensitive activities such as enhancing women's membership and promotion to higher levels, affirmative action for women in the by-laws and economic activities, creating social and economic projects targeting women, etc.

⁷⁴ There are successful experiments of agricultural aggregation, most recently in a project by the World Food Program targeting adaption to climate change in several governorates in Upper Egypt.

⁷⁵ Micro-lending is dependent on NGOs affiliated with the Ministry of Social Solidarity. Traditionally, NGOs in Egypt are considered to be limited to such associations but, like NGOs, cooperatives can also play this role and benefit from it to develop their activities and members.

Type 2: Distinguished cooperatives

An advanced pilot should be implemented that is aimed at cooperatives that have already achieved a distinguished institutional standard and volume of activity, have relatively large capital, and are managed on a more professional basis, but which still need to be boosted to an optimal level. The pilot should work to consolidate or break into nontraditional and innovative areas at the local level.

The set of procedures proposed here is not dramatically different from that of the first group, except with regards to the degree of development. It requires a higher level of technical support related to quality and marketing. Among the most important areas proposed to be represented by this pilot are:

- increasing the added value throughout the value chains, concluding with agricultural processing and marketing;
- qualifying cooperatives for export;
- establishing agricultural industries.

The chances of success for this type of pilot will increase if cooperatives working in the same field coordinate.

7.2.4 Practical considerations

As a general framework for the implementation of the previous recommendations, it should be noted that the issues related to the enabling environment within which the ACs operate have a great deal of importance. The lack of direct targeting of these issues by the proposed interventions does not translate to lack of awareness or negligence in dealing with them. Rather, it means that specific steps must be taken to adapt to them, or overcome or reduce their negative impact on the cooperative sector's growth. Table 23 shows the most important framework obstacles and approaches of dealing with them in the long term, as well as approaches of dealing with them in the short and medium term. Any project should operate within this framework.

Table 23: Framework obstacles and coping solutions

Framework obstacles	Best solutions -long-term solutions-	Second-best (implementable) solutions -short & medium-term solutions-
Unsuitability of the Agricultural Cooperatives Law, by-laws and decrees	<ul style="list-style-type: none"> • Changing the legislative framework at a core level, at the heart of which is creating a new cooperatives law (a general one for all cooperatives, or one specific to ACs) 	<ul style="list-style-type: none"> • Analyzing the existing legislative framework and identifying the hindering articles, internal by-laws, and ministerial and administrative decrees • Making suggestions for legal formulations that enable work in the framework of the hindering legal articles • Providing alternatives to the executive by-laws • Identifying the ministerial decrees that should be annulled, amended or renewed • Supporting CACU in lobbying and negotiating for the amendment and readjustment of these decrees
Administrative and supervisory interference in the work of cooperatives, obstructing their freedom and flexibility (to varying degrees)	<ul style="list-style-type: none"> • Amending the law to allow for the freedom of cooperatives as independent NGOs 	<ul style="list-style-type: none"> • Awareness building within the AC sector around the role of administrative authorities and the rights and duties of cooperatives • Training the unions on advocacy and lobbying • Directing advocacy and lobbying activities at the administrative bodies • Supporting and enabling the union and public associations to defend the position of cooperatives against the administrative bodies, should the latter become intransigent, particularly in cases where disputes go to court • Training staff in the administrative entities

<p>The structural framework of the AC sector is inefficient and complex, leading to the overlapping and repetition of functions, as well as the absence of others</p>	<ul style="list-style-type: none"> • Restructuring the AC sector at a core level, in a manner that meets their needs and responds to external changes, while respecting the principles of cooperation 	<ul style="list-style-type: none"> • Supporting the vertical integration of the units of each subsector • Redistributing the roles and coordinating between them to achieve complementarity and avoid duplication • Supporting cooperation between ACs
<p>Absence of a cooperative bank</p>	<ul style="list-style-type: none"> • Establishment of a cooperative bank 	<ul style="list-style-type: none"> • Mediating between banks and AC members • Establishing guarantee funds to facilitate access by members to loans • Studying and propagating the idea of creating savings, lending, and insurance funds within cooperatives • Providing in-kind loans (inputs and services) • Taking over micro-lending activities • Training cooperatives on the above
<p>Competition of the Egyptian Agricultural Bank with the cooperatives and its repossession of some of their assets and fulfilment of some of their roles as stipulated by law</p>	<ul style="list-style-type: none"> • Withdraw by the bank from any non-banking roles • Hand over cooperatives assets as cooperatives regain management capacity and sound business plans are put in place 	<ul style="list-style-type: none"> • Qualifying cooperatives to better undertake the activities that are delegated to the bank, whether through public activities or the pilot • Practicing awareness, advocacy, and lobbying activities to restore the role of cooperatives and retrieve their assets

Source: Author.

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Annex 1 – Interviewees

Ministry of Agriculture and Land Reclamation

Dr. Abdel Moneim El-Banna	Minister of Agriculture and Land Reclamation
Dr. Safwat El-Haddad	Deputy Minister of Agriculture and Land Reclamation for Services and Follow-up
Dr. Mohamed Abdel Tawab Hassan	Deputy Minister of Agriculture and Land Reclamation for Land Reclamation Affairs
Dr. Ahmed Abou Yazeed Abdel Hafez	Supervisor of Organizations Sector and Ministerial Office Affairs
Dr. Sayed Khalifa	Head of the Sector of Agricultural Extension
Dr. Abbas El-Shenawy	Head of the Sector of Agricultural Services
Ezz El-Arab Ahmed Salama	Head of the Central Administration for Agricultural Cooperatives
Dr. Ali Mohamed Ali Hozayen	Supervisor General/Chairman of Executive Agency for Comprehensive Development Projects

FAO

Dr. Hussein Gadain	FAO-Representative in Egypt
Dr. Mohamed Yacoub	Assistant FAO Representative in Egypt
Dr. Mohamed Abdel Aal	National Consultant to the FAO-Project “Support to the reform of the law governing the agricultural cooperatives in Egypt”

Agricultural cooperative sector

Mamdouh Hamada	Chairman of the Central Agricultural Cooperative Union (CACU)
Mahmoud Ahmed Kamel	General Manager of CACU
Khaled Abdel Aal Hamad	Deputy Manager of CACU
Hussein Makki Ahmed	Board member of CACU
El Sayed Abdel Haqq El-Saeed	Board member of CACU
Mahmoud Raslan	Board member of CACU
Abdel Qader Saeed	Board member of CACU/Chairman of the Central Agricultural Credit Cooperative in North Sinai

Abdel Rahman Hassan	Board member of the Central Agricultural Credit Cooperative in Sohag/Representative of Sohag in CACU
Ali Ouda	Chairman of the General Agricultural Credit Cooperative
Mohamed El Zayat	Manager of the General Agricultural Credit Cooperative
Yousef Abdel Moneim Fahmy	Financial Manager of the General Agricultural Credit Cooperative
Atef Abdel Aziz	Board member of General Agricultural Credit Cooperative and the Central Agricultural Credit Cooperative in Sharqia
Magdy El Sharaky	Chairman of ARCs
Abdel Fattah Serag El Din	Chairman of the General Agrarian Reform Cooperative
Abdel Salam El Eraky	Chairman of the Central Agricultural Credit Cooperative in Alexandria
Fouad Abdel Megeed Metwally	Chairman of the Central Agricultural Credit Cooperative in Beni Suef
Dr. Helmy Abdel Sattar Helal	Chairman of the Central Agricultural Credit Cooperative in Fayoum
Abdel Rahman Ragab	Board member of the Central Agricultural Credit Cooperative in Giza
Ahmed Hassan Abdel Qader	Board member of the Central Agricultural Credit Cooperative in Giza
Ahmed Khedr	Board member of the Central Agricultural Credit Cooperative in Giza
Fathy Abou El Maaty	Board member of the Central Agricultural Credit Cooperative in Kafr El Sheikh
Rabie Maarouf Abdel Latif	Board member of the Central Land Reclamation Cooperative in Minya
Atef Mahmoud Abdel Moneim	Board member of the Central Land Reclamation Cooperative in Minya
Dawoud Abou Bakr Abdel Ghany	Board member of the Central Land Reclamation Cooperative in Minya
Refaat Fawzy Abdel Gawad	Board member of the Central Land Reclamation Cooperative in Minya
Ahmed Allam Abd Rabbu	Board member of the Central Land Reclamation Cooperative in Minya

Ahmed Ali Mohamed Ali El-Zonfoly	Board member of Field Crops Cooperative in Minya and the General Cooperative for Oil Crops
Mohie El Din Mohamed Yousef	Chairman of the Central Agricultural Credit Cooperative in Luxor
El Sayed Ibrahim Hassan Azab	Chairman of the Central Agricultural Credit Cooperative in Dakahlia
Mahmoud Sayed Ahmed Ouda	Board member of the Local Agricultural Credit Cooperative in El-Manzala
Samir El-Sayed Farghaly	Board member of the Central Agricultural Credit Cooperative in Aswan
Ali Osman Ismail	Board member of the Central Agricultural Credit Cooperative in Aswan
Hassan Ahmed Salman	Board member of the Central Agricultural Credit Cooperative in Aswan
Mohamed El Shazly	Board member of the Central Agricultural Credit Cooperative in Al Wadi Al Gadid
Mohamed Ahmed Gabr	Board member of Parliament/Head of the Sugar beet Specialized Cooperative
Hussein Gomaa Moussa	Member of the Central Agricultural Credit Cooperative in Alexandria
Hussein Attia	Board member of the Central Cooperative for Cotton and Field Crops in Gharbia
Hisham Soliman	Secretary General of Ahmed Oraby Agricultural Cooperative Association
Hussein Gomaa Morsi	Chairman of Al Saeda Village Agricultural Cooperative

Other organizations

Gawaher Saad El Sharqi	Parliament Member (Agriculture and Irrigation Committee)
Hisham El Sheaini	Parliament Member (Head of the Agriculture and Irrigation Committee)
Dr. Mahmoud Medany	President of the Agricultural Research Center
Ibrahim Zakariya Younis	General Manager of the General Auditing Authority in Dakahlia
Maged Boules	Board member of the Coptic Evangelical Organization for Social Services
Hasseeb Ahmed Farag	Al Amereya Training Center
Waleed Mohamed El Saadany	Chairman of Public Committee for the Organization of Internal Cotton Trade

■ ■ ■ ■ ■ Annex 2 – Non-cooperative producers' organizations⁷⁶

Union Producers and Exporters of Horticultural Crops

The Union Producers and Exporters of Horticultural Crops (UPEHC) is affiliated with the MALR; it was established under a special law issued by Presidential Decree No. 68 of 1971. The law authorizes UPEHC to carry out all export, import and trade activities that promote Egyptian agricultural production and producers and exporters of horticultural crops such as fruits, vegetables, medicinal and aromatic herbs, and cut flowers.

This law also allowed UPEHC to accept the membership of all individual and legal entities engaged in the production and export of horticultural crops and related input areas such as seeds, fertilizers, packaging equipment, shipping companies, and land and air shipping.

UPEHC gathers producers and exporters of horticultural crops such as vegetables, fruits, medicinal and aromatic plants, and ornamental crops. Its members are enterprises affiliated with the public sector, agricultural cooperatives and private sector farmers who work on the production of horticultural crops.

Objectives

- Scientific development of horticultural crop cultivation;
- increase arable lands for horticultural crops in both the private and public sectors;
- develop Egypt's total exports of horticultural and other agricultural products that have not reached sufficient export quantities;
- increase agricultural production income by raising the production rate of arable lands and crop prices.

Main services

- Conducting an annual study of foreign markets, their demand for products, and the products' respective price range;
- setting up exporting contracts with foreign countries;

⁷⁶ All information about non-cooperative POs is extracted from unpublished unofficial information shared with the author.

- informing the Union's members of total contracted and exported quantities and coordinating the production process among them accordingly, as well as determining the contribution of each member;
- providing members with all necessary facilities and production equipment, either locally or through import and cash loans;
- disseminating all required technical instructions regarding cultivation stages, preparation and packing of products for export;
- setting up packing houses and providing them with all required facilities and equipment;
- initiating local contracts to market or process products that are inappropriate for export.
- arranging internal means of transportation, setting up contracts pertaining to marine and air freight, and controlling marketing and selling processes abroad.

UPEHC management consists of the chairman of the board, who is assigned by the Minister of Agriculture and Rural Development, a general manager, and a board consisting of ten members in addition to the chairman. The General Assembly elects six of the members for a term of one year. These memberships are renewable and three out of six are private sector farmers, the other three are representatives of agricultural cooperatives and the rest of members are assigned by the Minister of Agriculture.

Agricultural Export Council⁷⁷

The Agricultural Export Council (AEC) is the official platform for liaison with the Minister of Trade and Industries for the Agriculture Sector and is responsible for raising relevant issues, proposing strategic changes and regulatory policies, and developing strategies to cope with obstacles facing the development of the sector.

Objectives

The overall objective of the AEC is to increase Egyptian exports in the agricultural sector globally and penetrate new international markets while raising technological awareness among Egyptian producers and exporters.

Main services

The Council supports growers, producers, exporters, packing companies, producers of packing materials, and transportation companies through the following activities:

- eliminating the internal and external obstacles that hinder the agriculture export process;

⁷⁷ The text in this section is largely drawn from the AEC's website. For more information, see: <http://www.aecgypt.com/>.

- supporting AEC members with official issues;
- facilitating international trade relations for AEC members and organizing matchmaking events, trade fairs and conferences with the target markets;
- supporting Egyptian companies in the administrative and vocational training programmes;
- raising awareness among producers and exporters to acquire international certificates that improve competitiveness in international markets.

AEC performs its activities through crop-specialized committees that are established according to the needs of each circumstance.

The Council carries out its functions through a board of 18 members, including the chairperson and two vice presidents selected by the Minister of Trade and Industry from the producers and exporters working in agricultural crops.

Horticultural Export Improvement Association⁷⁸

The Horticultural Export Improvement Association (HEIA) was established in 1996 and expanded in a short time to reach a large group of members who represent producers and exporters, as well as suppliers of horticultural inputs, agricultural equipment and packaging material.

Objectives

The overall objective of HEIA is to support Egypt's transition to becoming a significant supplier of horticultural crops worldwide. It supports the Egyptian horticultural community (producers, exporters and suppliers) through its aim to increase exports of fresh produce by continuously improving production quality, marketing, policy advocacy, training and management assistance. In addition, it works to:

- improve and develop horticultural crop production and services;
- study and penetrate new export markets for horticultural products;
- provide the horticultural sector with the needed technical, technological, marketing and exporting information and production inputs to comply with international standards;
- cooperate with local and international bodies to advance sustainable development in the horticultural industry;
- lobby with government and top officials to effectively include growers in decision-making;
- contribute to the protection of the environment and encourage the use of environmentally-friendly practices.

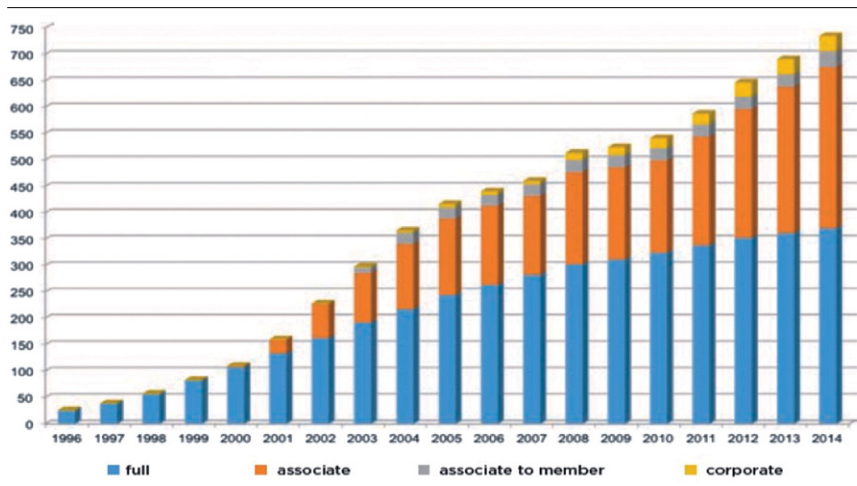
⁷⁸ The text in this section is largely drawn from the HEIA's website. For more information, see: <http://heiaegypt.org/about/>

Main services

- Supporting new businesses;
- conducting feasibility studies;
- overseeing soil and water analyses to determine appropriate crops for soil and geographies;
- designing irrigation systems and techniques;
- supervising post-harvest and pack house management;
- providing integrated services that apply the standards of food safety;
- offering food safety programmes;
- designing packing houses and lines;
- developing and supervising production stages;
- qualifying farms to export according to international quality and safety management systems.

Figure 12 illustrates the growth of HEIA membership since its establishment.

Figure 12: The development of HEIA membership, 1996–2014



Source: Unpublished documentation from HEIA.

■ ■ ■ ■ ■ Annex 3 – Initiatives supporting small farmers⁷⁹

Export of Medicinal and Aromatic Plants Initiative⁸⁰

The Export of Medicinal and Aromatic Plants (EMAP) Initiative is an agro-industrial development enterprise created to improve and grow exports of medicinal and aromatic plants (MAP) in Egypt. It has worked to establish an integrated quality and safety scheme, improve varieties, increase productivity, reduce losses, and upgrade production and processing technologies.

In this context, the project implements specialized programmes for adding value and improving access to international markets. Since its launch in 2011 and for four successive years, EMAP was carried out by the Agriculture and Agro-Industries Technology Center (ATC) and the MIFT in cooperation with the United Nations Industrial Development Organization (UNIDO).

The project is co-founded by the Swiss Secretariat for Economic Affairs (SECO) and the Egyptian government. Its main programmes are:

- quality enforcement programme, which has two components: (i) national quality scheme and (ii) technical assistance
- business development programme
- export consortia programme

Its target groups are production clusters including growers, local traders, pre-processors, processors, exporters and service providers, with a focus on production areas in Fayoum, Beni Suef, Minya and Asyut.

The Premium Project for Egyptian Small Growers⁸¹

This USAID-funded project aims to help Egyptian farmers comply with GLOBALG.A.P. and Fairtrade standards so farmers can access local and international fresh produce markets while sustainably improving their socio-economic conditions. It works with small producers' associations to establish sorting, grading and packing facilities that meet international food safety and quality criteria. It also enhances employability skills at agriculture technical

⁷⁹ The text in this Annex is largely drawn from each project's respective website. For more information on the projects, please see their websites provided in the footnotes.

⁸⁰ <http://www.emap-eg.org/>

⁸¹ <http://www.smallgrowers-eg.com/about.htm>

schools by working to improve the quality of instruction and connecting schools with research institutions and the private sector.

The project was created with the vision of radically developing the Egyptian agricultural sector. All the organizations that have come together to implement and sustain the Premium Project have a shared vision of a new and improved Egypt.

The total number of small growers in the five cooperatives is 4 006, with land ownership ranging between 2 and 5 feddans per grower. These cooperatives consist of recent graduates and other beneficiaries who have received new lands from the Egyptian government.

The project has expanded its geographical scope to Esna, Luxor (Upper Egypt). The final beneficiaries include three small producers' organizations working under the umbrella of the Ministry of Social Solidarity.

The Advanced Marketing and Agribusiness Logistics project⁸²

In partnership with HEIA, the USAID-funded Advanced Marketing and Agribusiness Logistics (AMAL) project develops inclusive horticulture value chains in Upper Egypt that integrate smallholder farmers into the high-value export market. Construction of a perishable terminal and targeted trainings at Luxor airport will allow Upper Egypt to more effectively compete in international markets by decreasing time-to-market costs and bringing much-needed supply chain infrastructure to the region.

Objectives and activities

- Improving access and use of market intelligence
- Facilitating value chain linkages
- Catalyzing market-oriented production practices
- Organizing and strengthening producer organizations
- Strengthening institutional capacity of producer organizations to negotiate collective purchase arrangements with buyers and suppliers, managing and providing quality control throughout the production process, and providing services to members
- Building the capacity of smallholder producers and exporters to meet international market quality requirements and integrate new technologies and techniques into the production process
- Constructing a perishable terminal at Luxor airport to decrease time-to-market costs and bring much-needed supply chain infrastructure to the region
- Working with pack house operators and staff at the perishable terminal to ensure operational compliance with international standards

⁸² <http://www.acdivoca.org/projects/advanced-marketing-and-agribusiness-logistics-amal-global-development-alliance-gda/>.

- Brokering sustainable commercial relations between HEIA exporters and smallholder farmers in Upper Egypt, facilitating forward contracting schemes between exporters and producer organizations
- Positioning the Center of Excellence to disseminate and analyze market information and continue these activities after the project ends.

Green Trade Initiative (GTI)⁸³

UNIDO's GTI aims at improving the quality of production among small and medium producers of selected horticultural products through the application of Good Agricultural Practices (GAP) and food safety practices in order to meet EU/ international export requirements. The selected products are artichokes, green beans, lettuce, peppers, pomegranates, strawberries, table grapes and tomatoes.

The GTI, funded by the Egyptian-Italian Debt for Development Swap Program, is meant to increase trade levels by enhancing exports of quality Egyptian produce to the EU through Italy.

Objectives and activities

- Building the capacities of national institutions involved in quality control and compliance for agricultural exports;
- enhancing the quality of production for eight crops;
- raising the awareness of logistics operators on export considerations for perishable goods;
- enhancing logistics operations from pack house to port;
- promoting investment opportunities in the agribusiness sector;
- facilitating access to financial facilities for Egyptian small and medium sized producers and exporters;
- integrating small and medium sized producers into the export value chains;
- organizing trade missions, exhibitions, matchmaking events, and business-to-business meetings;
- consolidating relationships and networks with national and international organizations for trade promotion;
- promoting post-harvest technology transfer and equipment innovation,

Pro-poor horticulture value chains in Upper Egypt (SALASEL)⁸⁴

The SALASEL (chains) programme applied an innovative approach, integrating assistance to service providers and beneficiaries to develop sustainable agribusiness.

⁸³ <http://www.gti-eg.org/>

⁸⁴ <http://mdgfund.org/content/propoorhorticulturevaluechainsupperegypt>

Objectives and activities

- Improving the structure and capacities of three post-harvest centers and six farmers' associations
- Improving farmers' positions in domestic and export markets
- Supporting policy and regulatory changes that promote pro-poor private sector-based growth

Upper Egypt Rural Development Project⁸⁵

The project aims at reducing rural poverty and unemployment among a target group that includes smallholder farmers, landless laborers, unemployed young people and female family providers. The project supports and encourages participants to form community-based associations, including farmers' associations and craft workers' marketing associations. Its primary components are private sector development and the enhancement of agricultural competitiveness.

Objectives and activities

- Identifying local development needs and priorities;
- supporting market linkages and supply chain analysis;
- providing technical advisory services;
- promoting joint or individual investment in small and micro enterprises;
- disseminating marketing information and procuring inputs.

The Sustainable Agriculture Investments and Livelihoods Project⁸⁶

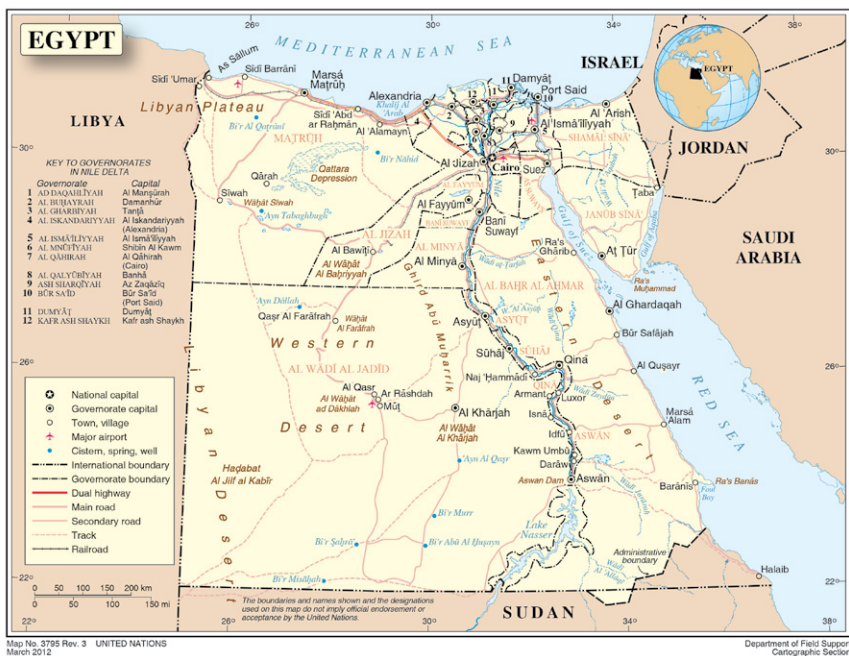
The Sustainable Agriculture Investments and Livelihoods (SAIL) Project aims to enable smallholder farmers to increase their incomes and profitability and diversify their livelihoods. It works to strengthen smallholder institutions, improve agricultural production and marketing, and build capacities for employment and enterprise development.

The project area covers sites that the government has allocated for settlement and rehabilitation over the last 15 to 20 years in Upper, Middle and Lower Egypt. Activities target farmers and rural workers engaged in casual labor – particularly young people – who are poor, vulnerable and facing food and nutrition insecurity.

⁸⁵ https://operations.ifad.org/web/ifad/operations/country/project/tags/egypt/1376/project_overview

⁸⁶ <https://www.ifad.org/documents/10180/7ebd6207-dcf1-412d-8a14-ec91c3af33ba>

Annex 4 – Administrative map of Egypt



Source: www.un.org

Please address comments and inquiries to:

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