



**New Partnership for  
Africa's Development (NEPAD)  
Comprehensive Africa Agriculture  
Development Programme (CAADP)**



**Food and Agriculture Organization  
of the United Nations  
Investment Centre Division**

## **GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT**

### **SUPPORT TO NEPAD–CAADP IMPLEMENTATION**

**TCP/EGY/2905 (I)  
(NEPAD Ref. 05/29 E)**

**Volume II of V**

### **BANKABLE INVESTMENT PROJECT PROFILE**

**Enhancing Export Competitiveness of Egyptian Horticultural Crops**

*December 2005*



**EGYPT: Support to NEPAD–CAADP Implementation**

**Volume I: National Medium–Term Investment Programme (NMTIP)**

*Bankable Investment Project Profiles (BIPPs)*

**Volume II: Enhancing Export Competitiveness of Egyptian Horticultural Crops**

**Volume III: Saad Armant Irrigation Improvement Project for 4,300 feddans**

**Volume IV: Improving Range–Livestock Productivity in the North–Western Desert of Egypt**

**Volume V: Integrated Water Management for Community Settlement in Farafra Oasis**



## NEPAD–CAADP BANKABLE INVESTMENT PROJECT PROFILE

**Country:** Egypt

**Sector of Activities:** Agricultural Marketing

**Proposed Project Name:** **Enhancing Export Competitiveness of Egyptian Horticultural Crops**

**Project Area:** Bohaira, Ismailia, and El–Minya governorates of Egypt

**Duration of Project:** 3 years

**Estimated Cost:** Foreign Exchange ..... US\$12.5 million  
Local Cost..... US\$1.5 million  
**Total .....US\$14.0 million**

**Suggested Financing:**

<i>Source</i>	<i>US\$ million</i>	<i>% of total</i>
<i>Government</i>	1.5	11
<i>Financing institution(s)</i>	12.5	89
<i>Beneficiaries</i>	–	–
<i>Private sector</i>	–	–
<b><i>Total</i></b>	<b><i>14.0</i></b>	<b><i>100</i></b>



**ARAB REPUBLIC OF EGYPT:**

**NEPAD–CAADP Bankable Investment Project Profile**

***“Enhancing Export Competitiveness of Egyptian Horticultural Crops”***

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## I. PROJECT BACKGROUND

### A. Project Origin

I.1. The origin of this project stems from several studies conducted by World Bank, donors, as well as international organizations. These studies have revealed that the major current and future constraints to Egypt’s horticultural export competitiveness are the lack of proper post-harvest facilities, market needs and requirements, as well as market information and market intelligence systems. The *Ministry of Agriculture and Land Reclamation* in Egypt as well as all trade and export entities and association are giving the highest priority to projects addressing these major constraints.

### B. General Information

I.2. The importance of the agriculture sector in Egypt stems from the fact that it contributes to 18% of the GDP and involves 33% of the labour force. Moreover, an agricultural export represents 20% of Egypt’s total commodity exports.

I.3. The Egyptian government is currently implementing an agricultural export-oriented strategy which focus, in addition to cotton, on export of horticulture, where the revenue per unit land and water is rewarding, and the labour force involvement is high.

I.4. Egypt’s horticultural exports are largely aimed at the European Union (EU) market, which is the largest under-supplied market for fresh produce in the world of some 370 million consumers. Some additional 10 new states are envisaged to be part of the EU on accession, and this will expand the market to some 430 million consumers. The EU market is also one of the most demanding in terms of quality, reliability, and service. This therefore poses special challenges for Egypt if it is to have a competitive edge over other rivals. Egypt has natural competitive advantages in the EU market in the form of physical proximity to Europe, ample labour supply, and climatic advantages to exploit particular market windows in Europe. This combined with removing certain infrastructure and policy impediments to export competitiveness, could place Egypt in a winning position to boost exports, and thereby increase employment and incomes and lift many rural folk out of poverty.

## II. PROJECT AREA

II.1. The proposed project area covers three locations in three governorates in Egypt; *Al-Bohaira*, *Ismailia*, and *Minya* (see map in the Appendix).

II.2. *Al-Bohaira*. This governorate has a unique strategic location, as it takes place between Rosetta in the East, Alexandria and Marsa Matrouh in the West, the Mediterranean sea in the North, and finally Giza governorate in the South. Its area approaches 9,120 km<sup>2</sup>, with a 62% (5,600 km<sup>2</sup>) rural area. Al-Bohaira population is around 4.15 million inhabitants according to 1998 statistics. The total cultivated area in Al-Bohaira exceeds 126,000 feddan.<sup>1</sup> It is famous by the production of rice, wheat, maize, potato and artichoke.

II.3. *Ismailia* is the western gate of Egypt and Africa as well as to the other Arabian and Asian countries. The estimated population of 1998 is about 7.7 million inhabitants. The total area of Ismailia

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<sup>1</sup> 1 fd = 0.42 ha.

is 4,480 km<sup>2</sup>. Ismailia contains many lakes such as Al–Temsah, Al–Mora Alsoghra and Almora Alkobra. The cultivated area in Ismailia is about 234,000 fd.

II.4. *El–Minya* is considered as one of the famous cities in the Upper part of Egypt. Its area is about 2,100 km<sup>2</sup>, out of which is 1,800 km<sup>2</sup> rural area. The cultivated area approaches 437,000 fd in 1998; used mainly to produce sugar can, potatoes, wheat, maize, and cotton as well as many fruits and vegetables.

### III. PROJECT RATIONALE

III.1. In a recent study by a World Bank’s mission, it has been reported that about 75% of Egypt’s horticultural exports is coming from about 25% of the cultivated area, and these are in the reclaimed lands. The remaining estimated 75% of the cultivated area, comprising the old lands and some reclaimed lands in Upper Egypt, is virtually exempted from export horticulture, and is largely used for growing traditional crops like cereals, berseem, fowl, etc. There is considerable scope for developing export of horticulture in Upper and Middle Egypt, which are relatively poorer than the rest of Egypt, and helping generate employment there and alleviating poverty; thereby reducing the economic pressures which are such a factor in breeding extremism in these areas.

III.2. Several studies, previously conducted by World Bank and other organizations, have revealed that the major *current and future constraints* to Egypt’s horticultural export competitiveness are:

- Lack of availability of packing houses on farms, including pre–cooling and cold storage facilities, and of refrigerated trucks, with particular focus on small growers and exporters in Middle and Upper Egypt.
- Lack of modern facilities for simple processing of horticulture crops; like drying, dehydration, and freezing. These simple processing increases the added value, extend seasonability, prolong shelf life and arrest deterioration during storage.
- Lack of export awareness of the fast changing, demanding requirements and standards of the EU market (EurepGAP, BRC, HACCP) and the need to provide advisory service to small growers and exporters on these issues.
- Lack of a reliable market information and data base on production, domestic consumption, and export trends of horticultural crops.

III.3. In order to address the aforementioned constraints to horticultural export competitiveness, the presented project is proposed to fit with the framework of the CAADP Pillar 2 “*Rural Infrastructure and Trade–related Capacities for Improved Market Access*”.

### IV. PROJECT OBJECTIVES

IV.1. The project would have two main objectives:

- To improve the export competitiveness of Egypt’s horticultural produces, especially among its small growers and/or exporters, to upgrade their ability to export to demanding international markets, and thereby increases their incomes;

- To strengthen institutional and managerial capacity in the horticulture sector through improvements and development of human and physical infrastructure.

IV.2. The project is to serve the following stakeholders:

- The *Union of Producers and Exporters of Horticultural Crops* (UPEHC);
- Other growers/exporters associations in Egypt.

## V. PROJECT DESCRIPTION

V.1. In order to achieve the project objectives, the project components should carry out the activities needed to improve competitiveness on production, post-harvest, and export marketing. These are related to *investments* in:

### A. Competitiveness at the Level of Production

- Preparation of a series of *crop manuals* to be used by growers as a reference for all production information needed to grow export crops. These manuals should include varieties information, planting methods, irrigation and fertilization programs, as well as plant protection, harvesting, and quality standards information. The manual should be prepared by multi-discipline competent experts in each crop.
- Provision of *technical support* needed for small & medium size growers to comply with EurepGAP protocols, as well as, organic farming laws and regulations. The *Produce Marketing Organization* (PMO) option for EurepGAP, and the EEC-2092/91 Regulation for organic farming should be adopted for this support.

### B. Competitiveness at the Level of Post-harvest

- Construction of *packing houses* with sorting and grading equipment, *pre-cooling* and *cold storage* facilities, particularly in Middle and Upper Egypt for small growers/exporters associations;
- Provision of *refrigerated trucks* would be included to maintain cold chain all the way through shipping terminals and ports;
- Construction of state of the art *drying and dehydration facilities* for horticulture commodities as whole (e.g. herbs & spices, grape, berries, plum), or sliced (e.g. onion, mango, peppers), or leather (e.g. tomato, apricot), or powder (e.g. garlic). Examples of these facilities are tunnel or cabinet drying, drum drying, and spray drying;
- Construction of state of the art *freezing facilities* for horticulture commodities. Examples of involved technologies for this type of processing are freezing in air, freezing by indirect contact with the refrigerant, and freezing by direct immersion in a refrigerating medium.

### **C. Competitiveness at the Level of Export Marketing**

- Development of market information as well as market intelligence for exporters. This system should provide prices for different markets, standards and regulations evolution of EU market, supply capability studies, production, local consumption and export information as well as trade fairs and exhibitions information;
- Building and implementation of an on–line traceability system that conforms to the European Regulation no. 178/2002. The system should have the ability to trace and follow exported food shipments through all stages of production, processing and distribution. In this context, a national data–base for all Egyptian traced products and exporters will be developed to provide traceability schemes certified and accredited at international level. This national data–base will be accessible to control authorities, inspection bodies, importers, as well as consumers in EU markets.

V.2. The scope of the proposed project is composed of four project components; namely:

- 1) Development of **Crop Manuals**.
- 2) Provide **support** for GAP and organic certification.
- 3) **Construction** of Postharvest infrastructure.
- 4) Development of on-line **traceability system** as well as **market information** system.

## **VI. INDICATIVE COSTS**

VI.1. The proposed lifetime is 3 years and the total estimated funding level is US\$14m. Three post–harvest infrastructure centres are proposed to be constructed. Each post–harvest centre will be located in one of the three governorates which cover the project area. The total cost for each location is estimated as US\$3m. The specific sites of these locations within each governorate will be determined within the context of the selection of participating growers / exporters associations.

## **VII. PROPOSED SOURCES OF FINANCING**

VII.1. As indicated in the first page of this project profile, the proposed major source of funding is the financing institutions that should provide almost 90% of the total required funding level. The other 10% will be provided by the government of Egypt as well as by the project’s beneficiaries. This portion will be in a form of in–kind contribution. Examples are the land needed for the construction of the post–harvest infrastructure as well as taxes, staff, offices, and buildings for project management.

## **VIII. PROJECT BENEFITS**

VIII.1. This project will primarily benefit the small growers and exporters living in three potential rural areas in Egypt. Without raising the level of the post–harvest infrastructure in these areas, it is not possible to bring those growers and exporters to horticultural export industry. The implementation of this project will definitely improve product quality, increase export competitiveness, increase rural families’ incomes, and consequently add to the growth of the National Income of Egypt.

## IX. IMPLEMENTATION ARRANGEMENTS

IX.1. This proposal assumes that the *Union of Producers and Exporters of Horticultural Crops* (UPEHC) will be the **implementing agency** of this project. Therefore, a **Project Management Unit (PMU)** will be created within UPEHC headquarter to oversee the implementation of the four components of the project. The structure of this PMU should have the capacity to manage all implementation functions which would be further worked out during project preparation.

IX.2. The project participants or beneficiaries are the associations of small growers and exporters in Egypt whether they are UPEHC or any other union members. The selection of participating associations should be based on export potentials, links to overseas market, post-harvest infrastructure needs, and willingness to **in-kind contribution** with the land needed for the construction of the post-harvest infrastructure. **Sharing the cost** of construction of the buildings of the post-harvest infrastructure could be additional selection criteria. The equipment needed for the post-harvest infrastructure as well as the refrigerated trucks will be financed by the financing institutions.

IX.3. The computers and related equipment of the on-line traceability system and the market information system; project component no. 4; should be housed within UPEHC headquarter who will be responsible for maintenance of these two systems after project completion through the capacity of its **“Marketing and Technology Information Network”** unit.

IX.4. For the purpose of this preliminary project design stage, the **operation cost** of the project management unit (PMU) is included as overhead in the project component cost. More detailed cost analysis as well as identification of **allowed cost elements** could be further worked out during project preparation.

## X. TECHNICAL ASSISTANCE REQUIREMENTS

X.1. No expatriate long-term technical assistance inputs have been identified at this stage. However, it is likely that short-term external support might be required to develop marketing strategies for produced horticultural crops to different export markets. EUREPGAP and BRC training and certification might generate additional need for short-term technical assistance.

## XI. ISSUES AND PROPOSED ACTIONS

XI.1. There are no outstanding issues for the proposed project. UPEHC has already allocated the lands required to construct the post-harvest centres in the three governorates.

## XII. POSSIBLE RISKS

XII.1. No risks can be identified for this project at this stage.



**Appendix: Location of Project Sites (Al-Bohaira, Ismailia, & El-Minya Governorates)**

