

Some lessons from three years of ENID experience on the ground in Egypt's second poorest governorate, namely Qena in Upper Egypt. Qena is fully representative of the socio-economic, demographic and topographic conditions of Upper Egypt south of Giza Governorate

Policy Lessons for Integrated Development in Upper Egypt

Egypt Network for Integrated Development

Policy Brief 024

Introduction¹

This Policy Brief presents some lessons from three years of ENID² experience on the ground in Egypt's second poorest governorate, namely Qena in Upper Egypt (the poverty rate in Rural Upper Egypt in 2012/2013 is 49.4%, in Qena it has reached 58%)³. With three million inhabitants, Qena is fully representative of the socio-economic, demographic, and topographic conditions of Upper Egypt south of Giza governorate.

The paper provides evidence on what impact can be achieved on the ground at a reasonable cost in human, technical and capital resources. The lessons learned should be of practical value to policy makers who have now signaled the political will to prioritize the development of Upper Egypt. The attempt is to answer four main questions and provide recommendations:

1. Are ENID interventions improving people's wellbeing through creating jobs and raising incomes in rural Upper Egypt?
2. How do the ENID methodology and its instruments improve on previous government or civil society interventions?
3. Are ENID interventions sustainable and scalable?
4. How have ENID's interventions impacted on policy making to date?
5. Policy recommendations.

Macroeconomic Background

Egypt's youth in the age group 15-29 years of age suffer most from unemployment at all levels of education, especially in the rural setting of Upper Egypt. According to the 2014 SYPE preliminary findings, youth unemployment rates stand at 13.6% followed by only 7.2% in the age group 30-35. Unemployment of young females is much higher than that of male youth, with 33.4% and 9.5% respectively. Educational attainment levels in rural upper Egypt in 2014 are alarming; for young people aged 14-35, 13.8% are illiterate and only about 8% have a university degree or above.

Outside of metropolitan Egypt, formal employment drops from 56% to 25% in rural Upper Egypt.⁴ This can be explained by the fact that the formal private sector is concentrated largely in the urban areas of the North. Another reason is better access of the North to the local and export markets as well as economies of agglomeration. Upper Egypt is short on enabling facilities which is why it deserves better public utilities, access to Nile and other transport, and more trading facilities at Red Sea ports in Egypt's South such as at Safaga.

At the level of the Egyptian economy, the estimated employment elasticity of growth is 0.64, tourism recorded the highest elasticity of employment at 4.23, followed by social services at 1.32 and

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² The Egypt Network for Integrated Development (ENID) is a five-year initiative to develop viable and sustainable development and employment opportunities in South Upper Egypt, where levels of poverty and unemployment are high. The ENID project was formulated over six months and its conceptual framework was ready for approval early 2012, with a clearly defined scope of activities. UNDP and donor approval was in April 2012.

³ CAPMAS, "Poverty Indicators based on data on Income, Expenditure and Consumption 2012/2013", 2014.

⁴ World Bank, "More Jobs, Better Jobs: A Priority for Egypt", June 2014.

manufacturing at 0.90.⁵ The implications are that diversification and structural change are needed to achieve GDP growth with higher employment growth. This background information was essential in designing the first Qena Investment Map. Egypt has so far identified seven engines of growth, which are manufacturing industry, tourism, agribusiness, ICT, and MSME sector, construction and housing as well as renewable energy. ENID is focusing on three of these (MSMEs, Agribusiness and Manufacturing) and hopes to also implement an eco-lodge pilot in the tourism sector.

The relatively low cost of labor will provide the South with some advantage for the better educated classes.⁶ However, an essential ingredient to job creation on the scale that can help the lowest two quintiles of society in Upper Egypt is to focus on low capital cost interventions and blue collar skills in manufacturing and construction, without sacrificing productivity or overlooking market demand. The second area of opportunity is to invest in human resources development via basic services in the South, with a focus on education, health and sanitation. The third is to introduce innovative agriculture activities to supplement the traditional crops and technology. These are the interventions which ENID has selected to boost employment and growth.

1) *Income and Employment Generation.*

ENID has progressed in introducing income generation and employment for the most vulnerable segments of Egyptian society, notably youth and women in rural Upper Egypt. Interventions through the main sectors including basic services (A), manufacturing (B), agriculture (C), and are now under implementation or operational in 35 villages in Qena. ENID is now planning to expand its interventions in another 10 villages to reach its target of 45 villages by the end of its project life in 2017.

ENID has been able to create employment and income generation in 2014 for a total of 411 beneficiaries across the three programs, with 84 in basic services through the innovative joint literacy and sewing workshops and pre-schools, 105 in the various crafts interventions and trainings in manufacturing and 222 beneficiaries in agriculture. The total number of beneficiaries, incorporating both employment generation and trainings, add up to a total of 1,602 beneficiaries in the year 2014 alone. Cumulatively, ENID's three programs (2012-2014) have a total of 2135 beneficiaries, out of which 573 were employed with 394 women and 179 men.

To date (end of 2014), ENID has signed 34 protocols with village level NGOs with 14 ones in manufacturing, 10 in agriculture and 10 in basic services. The increased cooperation with NGOs and CDOs on the ground has greatly contributed to the sustainability and scalability of these projects that will be instrumental in the second half of the project's duration. ENID's activities have very positively impacted developmental prospects for Egyptians who are most vulnerable to poverty, and now many other NGOs have approached ENID with their request to implement its crafts interventions in new villages across Qena and Upper Egypt.

⁵ All elasticity figures were calculated by H. Handoussa and M. Ramadan in "Reformulating Labor Market Policies in Egypt", African Development Bank, 2012. Also available as a Policy Brief on ENID website (www.enid.org.eg)

⁶ The average wage in rural Upper Egypt is more than one third below that of metropolitan Egypt for men according to: World Bank, "More Jobs, Better Jobs: A Priority for Egypt", June 2014.

The fact that numerous interventions across the three programs are simultaneously operational in several of the 35 villages portrays the integrated nature of ENID's activities in promoting holistic development on all fronts.

2) *ENID's Methodology and Instruments.*

One of the many benefits of having detailed statistics on Egypt's population on a spatial dimension is that one is now able to apply Egypt's Poverty Map spatially, together with its Demographic and Health Survey.⁷ These sources have provided clear evidence of the large disparities in human development between Egypt's North and South

Moreover, the information necessary for formulating economic interventions can also be accumulated by analyzing all statistics related to enterprises - formal and informal - as well as labor market dynamics by sectors of activity and occupation.⁸

Using the talents of experts in an array of relevant fields has made it possible to conduct comparative and competitive advantage analysis as well as in depth investigation of various potential interventions in four essential sectors, namely agriculture, industry, basic services and tourism. In each of these areas, three key modalities were Integration, Innovation and Inclusion. An integrated approach promotes holistic development through the simultaneous operation of activities in the same villages. This process is designed to be inclusive, such that local beneficiaries and NGOs are capable of sustaining the activities after ENID's project mandate ends in 2017.

Two segments of society in each village have been targeted, women and youth. With regards women, the evidence is that this is the most vulnerable group in Upper Egypt society given the extremely low level of participation and the lack of opportunities for non-agricultural activities, especially that the level of illiteracy and minimal education is prevalent. The rate of female participation in the labor market is reduced from 19.5% on average for Egypt to the lowest at 10% in rural Upper Egypt.⁹

Marketing is also an essential instrument in ENID's approach, notably to MSME development; the marketing strategy for those products that are outcomes of ENID interventions is based on product differentiation that focuses on creating a marketable and competitive product. The marketing tools adopted are: market research, product development, and promotional activities for each product.

Projects in agriculture or services are promoted locally through banner use, the production of explanatory leaflets and manuals, and through mass media coverage.

⁷ The first Poverty Map is featured in the "Poverty Assessment Report in Egypt" which was issued by the Ministry of Economic Development in collaboration with the World Bank, 2007. The Household Income, Expenditure and Consumption Survey (HIECS) is now conducted every two years. The last Egypt Demographic and Health Survey (EDHS 2014) was conducted on behalf of the Ministry of Health by El Zanaty and Associates.

⁸ Egypt Labor Market Panel Survey (ELMPS), 2012. Publicly Accessible Database, Economic Research Forum, Cairo, Egypt. Also see, Egypt Economic Census, 2012/2013, CAPMAS.

⁹ One of the striking features is the extremely low level of employment of women in the private sector in Egypt as a whole, with the informal private sector employing only 4% of women compared to 38% of men in the labor force, and the formal private sector employs only 1.5% of women compared to 12.5% of men in 2012 according to: World Bank, "More Jobs, Better Jobs: A Priority for Egypt", June 2014.

3) *Designing ENID Interventions that are Sustainable and Scalable.*

Program A: Upgrading Basic Services in Rural Upper Egypt

Basic services in rural Upper Egypt are suffering from many challenges in terms of access, quality, affordability and sustainability. The rural communities in Upper Egypt according to all livelihood indicators are the most vulnerable and marginalized in this regard. The poor communities are isolated not only in physical terms but also in terms of their access to employment, financial resources, skills and information. Since poverty has many different causes and effects, it can only be tackled in an integrated way. Improvement of basic services needs key structural changes regarding the relation between local authorities and central government, namely decentralization on one hand, and, on the other hand, the restructure of the relationship between the citizen/stakeholder/user and service provider to be more accountable and participative.

As a best practice, ENID has adopted a new vision in dealing with females' illiteracy, depending on integrated interventions. The idea is simply to link between education and work to achieve actual empowerment of women. After finishing the literacy classes, the graduated girls will join the sewing workshops. The vocational training workshops will not confine to training but its role will extend to production. The final goal is to create jobs for women in a safe environment and upon decent criteria. Program A has also designed and implemented a model that focuses on combining preschool education and healthcare. The classes have been equipped with the best educational tools and furniture according to the UNICEF model and the healthcare for children is provided by outsourcing a pediatrician. To complete the intervention, a bundle of health and nutrition awareness sessions have been organized to provide the mothers with proper information on sound nutrition and diseases' prevention.

Program B: MSMEs and Entrepreneurship

Across Egypt, the MSME sector has a large potential for job creation but suffers from many constraints. These constraints include the weak purchasing power of their primary low-income customers; intense competition from Asia; limited linkages to larger firms; limited, structured marketing channels; low utilization of technology; inadequate access to external finance; poor access to fairly priced inputs; scarce supply of skilled and trained workers; low access to information and business development services and a legal and regulatory environment which imposes heavy compliance burdens and leads to the high level of informality.

The One Village One Product (OVOP) Model via Apprenticeship

The One Village One Product (OVOP) is a movement based on the Japanese regional development program that started in 1979. The economic logic behind this model is based on the idea of product differentiation.

ENID's OVOP Project for the promotion of the handicrafts sector rests on two pillars: the selection of Innovative and Market-Driven Products and the establishment of and Technical Support to OVOP Workshops via Handicraft skills trainings that are taught mostly to poor and disenfranchised women.

Ultimately asset transfer is provided for successful trainees in the form of tools, equipment and raw materials for start-ups. This is combined with access to microcredit.

In this respect, market research studies for handmade fashion accessories and home accessories produced or to be produced by the OVOP workshops have been conducted by ENID to identify the product categories that can successfully maintain high sales revenues. ENID also works on connecting craftspeople in Upper Egypt to the potential retail stores in the Capital and big cities. It also helps them participate in national exhibitions in different governorates to test their products and benefit from consumer feedback.

Vocational Education and Training

Upgrading Vocational Education and Training (TVET) has been one of the key instruments utilized by ENID to provide employability for TVET graduates and supply the necessary skills needed by enterprises of all sizes. TVET secondary schools are merit-based and unfortunately attract the weakest candidates who are not accepted in the General Secondary School System. However, TVET is becoming more of a priority to the government with a TVET strategy developed for the period 2012-2017. Out of a total of 586 TVET industrial schools affiliated to the Ministry of Education, only 31 are part of the Mubarak Kohl Initiative which applies the dual system whereby students enjoy access to practical skills on the shop floor in factories. However, such factories are hardly available in Upper Egypt and ENID has therefore resorted to Training of Trainers (TOT) in five TVET Industrial Secondary Schools in Qena as well as supporting the refurbishment of many classrooms. The critical variable has been the selection of top quality trainers with relevant manuals so as to access the TVET schoolteachers with the most up-to-date technical tools that should provide their students with the necessary skills and capabilities to excel in the labor market.

Program C: Agriculture and Non-Farm Employment

Nearly 70% of Egypt's poor or food-insecure live in rural areas and a large share of these people depends very much on agriculture for their food supplies and for generating incomes. The contribution of the agriculture sector in Egypt exceeds 13% of GDP and over 30% of employment opportunities. Meanwhile, about 57% of the total population in Egypt lives in rural areas, where poverty prevails. As such, enhancing sustainable agricultural and rural development as a means to reduce poverty and food insecurity is a prerequisite for sustainable social and economic development.

From day one ENID's agriculture team has sought to implement innovative interventions in Upper Egypt, based on rigorous research. In this respect, the team has achieved many successful pilots that can be added to the best practices record of agricultural development in Egypt. Among its innovative interventions, the agricultural team is introducing three integrated fish farm models that save water and enable the utilization of desert lands. In poultry activity, the team has followed safe poultry raising guidelines to protect poultry from catching Avian Flu and using local breeds adapted to weather in Egypt based on select participants receiving 30 immunized chicks. The team also introduced a unique system,

which ensures solidarity and collaboration between poor families and enforcement of a “paying back to society” culture¹⁰ based on a shared 10% of fertilized eggs hatched to be distributed to other poor villages.

4) ENID’s Impact on Policy Making

An important part of the ENID mission is to inform the policy dialogue in Egypt, with particular reference to successful projects or program areas. In this respect, the following has been achieved by end of 2014:

- The Governors of Luxor and Sohag have requested that ENID replicate its programs in their respective governorates. This proves the importance of ENID’s projects and their relevance in future nationwide policies.
- The Governor of Qena has requested that ENID replicate the Kom Al Dabaa sanitation project in at least two of five poor villages chosen by the government. The key factors will be the availability of funding and the proximity of the villages selected for implementation to the Zaheer Sahrawy (desert fringe).
- ENID has been instrumental in the creation of an Export Council for Handicrafts in November 2014
- The evidence provided by ENID on the value of building a Container Terminal at Safaga Port on the Red Sea has now appeared as a project in the National Investment Plan.
- The Directorate of Agriculture has requested the approval of the Ministry to implement 8 Farmers Field Schools in 2015 as part of the Directorate's work plan for the first time. The Ministry has agreed (through an official letter) to include the requested 8 FFS in 2015 budget and will be implemented by the Directorate using the modality introduced by ENID.
- The Governor of Qena has visited the ENID Roof Garden Site in the Agricultural Research Department and has directed the Under Secretary of Agriculture in Qena and the senior staff of the Governorate to include the roof gardening among the priority small projects to be submitted to the Cabinet for support.

5) Policy recommendations

Coordinating and supporting NGOs development efforts:

- Designing a clear and well-defined strategy for community development efforts that matches the needs of the local community and the State’s development strategy.
- Encouraging NGOs to adopt productive projects through a monitoring scheme with determined criteria to ensure the seriousness and sustainability of the development efforts on the village level.
- Paying great attention to the design of development projects leaving enough time for follow-up and technical support for the NGOs to ensure the sustainability after the end of the implementation phase.
- Donors should adopt a rigorous follow-up scheme to ensure the actual implementation of small projects especially microfinance projects that are usually used for non-intended goals and are considered as an easy and fast source of funding for unserious NGOs which leads to their dependency on donor organizations and the lack of serious productive projects depending on serious implementation and follow-up efforts.
- The importance of linking research entities with the civil society organizations (CSOs) and the involvement of CSOs in the design of research plans as well as in the follow-up on the actual implementation of the research findings.

¹⁰ Each participant in this project receives 30 chicks aged one month immunized and vaccinated against all diseases. When eggs production start, each participant will donate around 10% of the total fertilized eggs produced to the NGO to be hatched and distributed as chicks to other poorest and neediest households.

Develop a Governorate Strategy for Sustainable Economic and Social Development:

There is a need to design a strategy for sustainable Economic and Social Development in each Governorate with emphasis on employment generation and enhancing livelihood and welfare for small farmers, SME while mainstreaming gender issues. These strategies should be based on preparing an investment map for each governorate. For example a strategy for sustainable agricultural and rural development for Qena was highly needed and is based on the national sustainable agricultural development for Egypt till 2030, taking into considerations the developmental salient features of the Governorate and the investment priorities in the South Valley zone.

Upgrading basic services:

The formula ENID has adopted for the pre-school program costs only a margin of what the government pays and it helps in creating jobs. In order to expand and scale up, the government would assist in land and teachers provision. The rest of the costs should be divided between the children's parents and existing CDAs in the village.

Promoting MSMEs and Manufacturing:

Moving labor intensive activities towards the south:

The ENID experience of introducing to Upper Egypt manufacturing and MSMEs activities from the Delta region has proved extremely successful and promising for a range of products including Ready Made Garments, wood, brass and handicrafts. The ENID interventions are scalable in other governorates in the South.

A policy towards export promotion should be implemented. An example of successful export promotion strategy is the India experience. The Handicraft sector in India has proven to be an immense stimulus for growth for the past twenty years¹¹. Egypt's Export Council for Manufacturers of Handmade Products and Crafts should provide support that includes marketing, locally and externally, networking; provide exposure to local producers in international craft festivals around the world, craft-specific training, upgrading the technology used, thus cutting costs and raising quality.

Review possibilities for banning selected raw materials export that can be used locally and have become in shortage to raise value added and new jobs. The case has been made of having banned the export of slabs of marble and the same would be desirable for raw leather hides. The benefits also include making the raw materials less costly on the local market.

The Industrial TVET system can be reformed within one year. There is an urgent need to have a rationalization plan for all industrial TEV schools which number 586 across all of Egypt. There also is a

¹¹ See ENID case study titled **India Handicrafts: Best Practice Lessons, Policies & Programs for Egypt: Analysis & Experiences Gained**

need to expand the number of TVET institutions and their specializations, to serve industrial areas and community needs. The ENID experience shows that the three essential elements of reforms are: training of trainers programs with the top institutions in Egypt, refurbishing the TVET schools with up to date and adequate number of machinery and providing the schools with raw materials for student practice. The cost can be partly recovered by allowing each industrial TVET school to produce for the market with no taxes charged as is currently the rule.

Sustainable Agricultural Development and Off-farm Employment:

Improve Coordination between training/education, Research and Development, and Extension/Policy Advice in Agriculture: despite the presence of faculties of agriculture and research centers in Upper Egypt, as well as government extension services, farmers lack appropriate technical advice regarding non-traditional crops and animal husbandry. Improving the extension services in Upper Egypt and the quality of information available to small farmers are crucial for achieving growth in the agriculture sector and for integrating small farmers into the supply and exports chain.

Supporting SMEs in Agriculture: In general, Upper Egypt does not have a network of agriculture-related SMEs that would be needed to support the development of horticulture and animal products supply chains. SMEs development have been facing a number of constraints, including the government cumbersome regulations and lack of coordination. Scaling up the One Stop Shops (OSS) for the licensing and registration of SMEs in Upper Egypt and supporting the SMEs through the promotion of the Social Development "Incubators" could be an opportunity for supporting agricultural SMEs in Upper Egypt.

Supporting the Introduction, Up-scaling and Maintenance of Renewable Energy in Agriculture: In most cases the desert farms are not connected with the electricity grid and rely along with the agricultural machinery on diesel fuel. In Upper Egypt, most of these desert farms rely on lifting underground water using subsidized fuel and in very limited cases using electricity. With the worsening economic conditions and the frequent shortages in subsidized fuel, some farms are seriously damaged because of inadequate irrigation. Therefore exploring alternative sources of energy is a must. Solar energy could be of great help to desert farming if provided at reasonable cost. The government should furnish the necessary legislations to promote investment in renewable energy. Some large investors might be willing to start business in this field if fuel subsidies were eliminated or reduced.

Supporting Programmes for Recycling Agricultural Residues: Recycling of agriculture residues is of special importance to increase farmers' income, introduce clean agriculture practices, provide employment opportunities, protect environment (reduce pollution), reduce production cost (reduce use of chemical fertilizers, etc.), assist in rationalizing water use, and enhancing women empowerment.

Regarding the Government's plan for the distribution of Land in the Zaheer Sahrawi, it is ENID's view that the Government should provide small plots of land to the landless farmers. The cost per household will be less than LE 20,000 to the Government in the form of road access and electricity since all interviewed villages agree that they can cover the cost of building wells for irrigation. The first advantage to Egypt's economy is the huge comparative saving of Nile River Water since the Zaheer is best irrigated from the plentiful Nubian Aquifer. The second is the low cost of infrastructure, including the savings in

the construction of new homes, new schools and new health units. This is because inhabitants of those villages are adjacent to the Zaheer Sahrawy and beneficiaries can continue to dwell in those villages and only use the Zaheer levels for cultivation.