

Project Proposal for AusAID, Pretoria Office for Africa

WFP Country Office - Egypt, 4 March 2011

EXECUTIVE SUMMARY

WFP proposes to AusAID to fund the following programmes and projects in Egypt:

Food for education for 168,600 school children and 245,000 of their family members

Food for assets / Food for training for 40,000 people/beneficiaries and their family members

Duration: March 2011 to March 2012

Total cost: US\$ 11.7 Million

The 25 January 2011 crisis led to the change in the Government on the second week of February 2011. A transitional military government was put in place until a newly elected government is chosen. It is too early to assess the impact of the 1 / 25 events on food and nutritional security at national level; an official release by the Ministry of Finance on 10 February 2011 stated that real growth is expected to under-perform the earlier target of 5.8 to 6 percent.

This proposal aims to provide immediate support, through existing WFP safety nets programs, to minimize the expected impact of the current political instability on the poorest communities and marginalized regions in rural Egypt. WFP continues to work with national institutions and its own operational partners to monitor and assess the impact of the January 2011 events on people's lives and livelihoods. The activities under this proposal will be implemented under the current WFP Country Programme (CP) operational framework of Food-for-Education (FFE), Food-for-Training (FFT) and Food-for-Assets (FFA) activities. The interventions will target most dire pockets of poverty in Upper Egypt, Aswan, Southern Red Sea and Sinai governorates.

The program will assist approximately 168,600 students in community, girl-friendly schools and formal preschools, as well as 245,000 of their family members in Upper Egypt and other Governorates with the provision of fortified date bars (FDB) in school (80 grams a day), fortified with essential minerals and vitamins; also, a monthly food ration of 10 kilograms of cereals and 2 litres vegetable oil will be provided to families of students who complete 80 percent of attendance every month. An additional 40,000 beneficiaries and their families will be assisted with a monthly individual ration composed of 450 grams of cereals, 30 grams vegoil and 50 grams pulses through FFA and FFT activities.

Background

About 36 percent of Egypt's population is poor and food insecure (World Bank, April 2009). Access to food has been affected by a series of shocks during past few years in Egypt, including the avian flu pandemic (2006/07), the high food prices (2008-09) and the financial crisis of 2009. The high food prices have continued to fluctuate even more sharply since then and have been significantly rising since mid 2010. High economic growth in Egypt reached over 7 percent in 2008, but disparities still exist. The category of vulnerable people has expanded by over 20 percent between 2005 and 2008. The trend may continue if domestic inflation persists, following the events of January/February 2011 and subsequent economic slowdown. Reduction in household purchasing power has affected people's access to basic staple commodities, as well as vitamin and protein rich foods.

Egypt is about 65 percent self-sufficient in production of cereals, yet highly exposed to global market forces. Egypt is the second net world's largest wheat importer, with annual imports of over eight million tones. Wheat and maize represent about 45 percent of total imports. Soaring international food prices severely affected the cost of the minimum food basket, which increased by 47 percent between 2005 and 2008. This increased extreme poverty (the in-ability to meet basic food needs) at the national level from 5.4 to 6.4 percent of the population, the highest level since 1990. In rural areas, where 70 percent of the poor live, extreme poverty increased by more than 50 percent, from 6.6 to 9.1 percent. Since 2008, food prices volatility has sharpened, and monthly increases reached a new peak in August 2010.

The nutrition situation has worsened in Egypt, particularly among children, as indicators of chronic malnutrition increased by over 25 percent in three years (2005-2008) and rates of anemia doubled between 2000 and 2005, according to Demographic and Health Survey reports. Child malnutrition, particularly in the first 1000 days of life, irreversibly affects brain/cognitive development, productivity and health through adulthood.

Egypt is considered water poor, and there are challenges of poor sanitation, health coverage, and housing for the poor. Deteriorating health and nutrition conditions as a result of pollution are expected to be further compounded by water scarcity and climate change; the rise in malnutrition rates could be partially attributed to the negative effects of climate change, endemic avian influenza, and high international food and fuel prices. The situation analysis conducted in 2010 within the Cairo Agenda for Action (CAA) also highlighted the importance of conditional cash transfers for the extreme poor and expanded social safety nets.

Food Security and Nutrition Priorities

Within the framework of the Cairo Agenda for Action, owned by the Government of Egypt and the Development Partners Group, and with the aim to promote national ownership of future development assistance, a situation analysis was conducted in 2010 by independent national experts in consultation with a large number of international and civil organizations. The findings of the situation analysis highlighted many challenges affecting food security and nutrition, including high population growth rate, urbanization

affecting rising food demand (especially cereals), food price increase and affecting people's access to basic food staples.

Based on the challenges identified by the situation analysis, and through consultations made with food security and nutrition experts, four priority outcomes were proposed for future interventions. These outcomes are:

- (1) Relevant institutions/bodies deliver evidence based policies and joint sustainable interventions on food security and nutrition in coordinated manner;
- (2) Food subsidy system delivers good quality food packages, efficiently, to vulnerable and poor families and targeting high risk populations;
- (3) Vulnerable people, especially women and children, consume adequate, healthy and nutritious food; and
- (4) Efficient supply chains are achieved in food production, including adoption of good agricultural practices.

WFP considers the challenges to food and nutritional security identified in the situation analysis and the related outcomes from the United Nations Development Assistance Framework (draft of December 2010) still valid and instrumental to address food security and nutrition issues, within the national priorities and policies.

Impact of 1 / 25 events

The 25 January 2011 crisis led to the change in the Government on the second week of February 2011. A transitional military government was put in place until a newly elected government is chosen. It is too early to assess the impact of the 1 / 25 events on food security; an official release by the Ministry of Finance on 10 February 2011 stated that real growth is expected to under-perform the earlier target of 5.8 to 6 percent. On the other hand *Credit Agricole Investment Bank* estimated daily losses incurred by the political and economic turmoil at US\$310 million per day¹ downgrading GDP growth to 3.7% for FY 2010/11.

Tourism, one of Egypt's top four sources of income with nearly 14 million tourists in 2009/2010, was severely affected, as one million tourists left the country during two weeks after the 1 / 25 crisis. Another major source of income, Suez Canal revenues, was also reported to be affected. In addition the "construction" sector is facing some drop due to market instability and soaring prices of construction material; this sector works as a large employer and has strong linkages with other economic sectors. Also, foreign investors are likely to lose their appetite for the Egyptian market after rating agencies have revised Egypt's key ratings downwards and the stock market remains closed until 1st of March 2011.

Food prices increased by 2.5 percent last month compared to 2.0 percent in December 2010 and compared to 1.0 percent during January 2010. Some anecdotal reports show that food prices have significantly increased in the two weeks after 01/25, but started to decline in the week of February 16, 2011 and have almost stabilized during the week of 23 February, 2011. Nevertheless, WFP Vulnerability and

¹ *"The point of no return: Egypt's uncertain political future, the economy and the army", FIM Research, Credit Agricole Corporate and Investment Bank, 4 February 2011.*

Analysis Mapping Unit at Cairo Country Office continues to monitor on weekly basis key indicators that directly or indirectly impact on food security and nutrition.

Meanwhile, international prices of main food items are soaring and might have a pass-through onto domestic prices of food in the coming months. The foreseen economic slowdown if coupled with significant inflationary pressures may lead the economy into threatening stagflation and a compounded impact on vulnerable groups.

World Food Programme Immediate Response in Egypt

Following the events of 25 January 2011, WFP Country Office continues to work with national authorities and institutions and its own operational partners to minimize the impact of the crisis on people's lives and livelihoods: FFA activities never stopped during the crisis and FFE deliveries resumed on 8 February, even as advance distribution to families, waiting for schools to re-open after the winter vacation. As immediate response, WFP proposes to advance the expansion of its on-going food-based safety net programs. These interventions will be targeted to pockets of poverty in Upper Egypt, Aswan, Southern Red Sea and Sinai governorates, through Food for Education, Food for Training and Food for Assets activities.

WFP provides a package of targeted interventions to the most deprived areas and communities in country. The current Country Programme aims at providing food assistance for a limited period to beneficiaries who are effectively engaged in activities that will develop their skills and help them to cross the poverty line. WFP has two established channels for providing such assistance:

- 1. Food-for-education** programs target most food insecure areas, with special attention to those at risk of dropping out of school and to join the labour market. Schools are used as platforms to provide children and their families with minimum dietary needs, while ensuring that children continue in school even during food deficit seasons. WFP provides a daily ration of fortified date bars (biscuits) in community and girl friendly schools, as well as formal preschools, which provides the child with at least 25 percent of his/her daily needs of energy and key nutrients. In addition, monthly take-home rations are provided to families of children who complete at least 80 percent of attendance days in school for that month. WFP has supported almost half a million children and their families per year since the start of food-for-education programmes in 2003. WFP monitoring and field experience show that the in-school FDBs and take-home rations have been a key factor to the increase in enrolment rates in schools, especially community and girl-friendly schools.
- 2. Food-for-asset** program targets poor and food insecure communities in remote rural areas. It offers a combination of physical and financial community assets and skills development schemes to lift communities out of poverty, while bridging the food gap temporarily through food assistance. This creates positive momentum at the community level rather than passive reliance on external assistance. WFP has supported tens of thousands of families in Upper Egypt, Aswan, Red Sea, and Sinai using this integrated sustainable livelihoods approach since 2004.

More specifically, WFP through its food-for-assets programme provides monthly rations of food (fortified cereals, fortified vegetable oil, pulses) to families of beneficiaries who participate in the asset creation activities, which include, but not limited to:

- training and skills development to improve income from on- or off-farm sources;
- launching initiatives to enhance income for small holders and workers from farming;
- engaging in raising new livestock, which requires upfront investment by the participants;
- supporting activities to improve community assets.

Food assistance is designed to provide the participating poor with nutritious food that is essential for their survival. It is also an economic transfer to compensate participants who would be losing work days in order to participate in the asset creation schemes.

Important Considerations

- **WFP is accountable** for its supported activities and interventions, both financially and in terms of results. WFP applies thorough risk assessment and risk management methods to support its operations. Even through times of crisis, **business continuity** is key.
- **WFP CO manage directly all the food deliveries and supply chain**, and procures food locally or regionally on the basis of a competitive tender process according to established procedures which require final scrutiny and approval by Rome HQs.
- **WFP engages communities** in all stages of activities. Elected food committees manage food for education programs; and young volunteers support all food for asset creation activities.

Proposed Activities:

1. Food for Education:

WFP is proposing to assist under this agreement approximately 168,600 students in community, girl-friendly schools and formal preschools, as well as 245,000 of their family members in Upper Egypt and other governorates, as applicable, with the provision of a daily ration of FDBs in school (80 grams); FDBs are fortified with nutrients in which Egyptian school children are most deficient, primarily iron and vitamin A. In addition, a monthly food ration of 10 kilogramme (kg) of fortified rice and 2 kgs of cooking oil will be provided to families of students who complete 80 percent of attendance every month.

2. Food for assets:

WFP is proposing to assist 40,000 beneficiaries and their families with a monthly ration composed of five individual rations of 450 grams of cereals, 30 grams of vegetable oil and 50 grams pulses.

See Annex 1) for Indicative budget breakdown which will be refined after project approval in liaison with WFP HQs