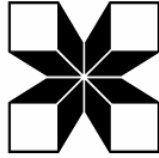


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**Productive Strategies for Poor Rural
Households to Participate Successfully in
Global Economic Processes**

**Country Report for Egypt to the
International Development Research Centre**

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Summary

The current document is part of a scoping study carried out by the London based Overseas Development Institute (ODI), assigned by the International Development Research Centre (IDRC).

The overall objective of the scoping study is to prepare an agenda of priority research themes within the topic 'Productive strategies and empowerment of poor families to participate successfully in global markets'. The scoping study includes 4 regional scans and 7 country reports representing cases for each region. The key objective of this report is the validation of the main findings and the proposed research themes of the Regional Scan for the specific case study of Egypt.

The document is divided into two major parts: the first is concerned with the validation of key findings from the regional scan, and the second with setting research themes based on first part validation results in addition to suggesting local partners to cooperate with IDRC in implementing agreed upon research actions.

The first part refers to two questions:

First: How Can Poor Rural Households Adapt Their Livelihood Strategies to Benefit from Participation with Global Economic Processes?

An attempt to answer this question required analyzing the general contextual characteristics, important of which in Egypt, as in many developing countries, are the rapid socio-economic changes, especially in rural areas where traditional definitions of rural and urban areas have become less self-evident and need revision, especially in what concerns 'rural areas'. This difficulty in defining rural areas affects the identification of rural poverty, especially in the light of a lack of dependable data. Despite of that there are some approved facts; one of which is the wider spread of poverty in rural governorates, in rural areas and in Upper Egypt than in urban governorates, urban areas and Lower Egypt.

The poor in rural areas include: small farmers, small lessees, agricultural labour, non-farmers living in rural areas (people of marginalized jobs, small income jobs, small and family projects and unemployed).

As for the land tenure, Egypt suffers from serious fragmentation in tenure volumes as tenures are mostly small and micro. Moreover, intensive cultivation (cultivating the land 2 to 3 times a year) is the prevailing Egyptian agricultural pattern. The Egyptian agricultural sector witnessed, since the second half of 1980s, many procedures, to achieve economic liberalization, important of which is repealing the obligatory crop rotation, the supplying and pricing of crops and the interest rate subsidy, liberalizing agriculture input trade, credit market and leasing relationships of agricultural lands.

The liberalization of the agricultural sector led to many distributional impacts clearly affecting rural poor. The assumed return expected from liberalizing products prices, is confined to people coping with the new circumstances and moving to more profitable products, the matter unavailable for small producers. Yet the inputs' price increase is a definite impact that affected everyone, hence, making the end result not in the interest of rural poor. Furthermore, the liberalization of leasing relationships, resulting in leasing the cost increase and the period reduction, worsened small producers' conditions, pushing them into the poverty circle, as changing the law led to their exit from credit market besides exiting the safe land tenure. The weak economic growth in non-agricultural sectors and the work concentration in the construction sector (not providing permanent employment) and the services sector (requiring certain skills missing in the rural poor) increased the adverse impacts.

Many obstacles hinder small agricultural producers' participation in and benefiting from markets potentials. These obstacles comprise: shortage of capital assets, lack of financing opportunities, decrease in educational and skills levels, lack of economic and social security, remoteness from markets, lack of information and marketing channels and infrastructure, increase in inputs prices and inability of providing inputs regularly and economically.

The institutional factor is closely related to the former obstacles. Lacking an effective role for small agricultural producers, institutions remains to be the core problem that prevents facing all the aforementioned problems. It is noteworthy that the agricultural cooperatives have failed in performing their roles as a result to many internal and external weak aspects.

In the light of these complicated conditions, the rural poor tried to develop strategies to ensure their survival. The main elements for such strategies include: working in both a private farm and agricultural or non-agricultural wage labour, increasing the cultivated land through leasing, developing animal and domestic production and establishing small and micro projects. Also, many of the rural poor migrate internally and externally, both temporarily and permanently.

The share of non-farm income in the total household income increased as a result to the decrease of the farm income. Changes in the role of rural women were recorded resulting from men migrating to seek other income sources, thus, women's role in agricultural processes expanded to include new roles, for example the marketing processes.

Second: How Can the Enabling Environment be Enhanced to Support the Successful Participation of the Rural Poor?

Encouraging the contribution of the private sector in the agriculture sector is one of the responses aiming to create an adequate environment for participation. The private sector recorded high response in agricultural inputs trade, but the agricultural investment generally remained limited in comparison to the private sector investment in industry and services.

The State implemented some measures, providing a better environment for the participation of small producers in market and combating rural poverty in general, for example conducting infrastructure projects and providing loans and inputs through the Principal Bank for Development and Agricultural Credit (PBDAC). However, there are no specified programs directed toward these goals in comparison to the incentives and facilitations provided for big investors.

Concerning the credit supply, the Principal Bank for Development and Agricultural Credit (PBDAC) is considered to be the only official source available for small farmers, but it provides loans on commercial basis that occasionally are extremely exaggerated due to its monopoly status. In addition, lessees went out completely from the credit market.

In what concerns agricultural tenures, they are mostly legal ones; however, they suffer from serious fragmentation, even more than the official data would expose, as lands are mainly inherited and remain in the father's name as one legal tenure. And, as formerly mentioned, lessees suffer from insecure leasing relationships.

The situation is better as concerns technology, as the Egyptian farmers adopted, from decades, relatively developed technologies for example fertilizers, pesticides and high yielding seeds. Nevertheless, the increasing problem is that of the farmer's

irregular access to these technologies together with their continuously increasing prices.

Generally, taking all circumstances into consideration, poor agricultural producers could be divided into three major groups, according to their market situation:

- Actually dealing with the market as purchasers and producers but often on unjust terms.
- Limited dealing with the market with a production mostly directed to self-consumption and not mainly depending on agriculture to earn their living.
- Not dealing with the market except as consumers within the minimum consumption limits.

The report then presents different measures for each of the above mentioned groups. The first two groups require procedures that focus on the supply, for instance structural measures aiming at reforming the land tenure situation, institutional measures organizing producers in a way that improves their market positions and technical measures related to increasing production, reducing loss, improving quality and raising the value added. As for the third group, it requires improving the non-agricultural income opportunities for example through handicraft production and small traditional and non-traditional projects. Here, the importance of cooperatives emanates as a suitable organizational form. Measures related to human capacities are necessary and significant for all three groups.

The second part of this document presents the proposed themes. The selection of the research themes took place bearing in mind different criteria, namely:

- The themes should be related to how to change current conditions to achieve more participation instead of focusing on analyzing the reasons that have lead to the current situation.
- The themes should concern issues with short term impacts and that do not depend on long term structural and legislative adjustments.
- The themes should be of general interest to the other regions.
- The themes should not be already over-researched by other institutions.

Bases on the Case Study Egypt and in the light of the former considerations and the results of the workshop (held in Cairo), the report concluded to the following research fields:

- How to assist agricultural cooperatives in order to more effectively facilitate market access by the rural poor.
- How to develop rural financial market serve the needs of the rural poor
- How to identify the rural poor
- How to realize the potential of the non-farm rural economy to generate jobs for the rural poor

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1 INTRODUCTION

The goal of the International Development Research Centre (IDRC) Rural Poverty and Environment (RPE) Programme Initiative (PI) is to support participatory action-learning research, and policy and institutional innovations and reforms. RPE PI contributes to the development of networks, partnerships and communities of practice, in order to strengthen organisations, policies and practices that enhance the food, water and income security of the rural poor, including those living in fragile or degraded upland and coastal ecosystems.

In order to achieve this, RPE will support activities in four outcome areas:

1. Building effective environmental governance where all stakeholders, including marginalized groups, participate in environmental and natural resource management;
2. Enhancing equitable access and use rights to natural resources by strengthening the negotiating capacity of the rural poor to defend or expand their rights to natural resources;
3. Strengthening communities' capacity to respond to and benefit from integration within wider social and economic systems (i.e. urbanisation, globalisation and market integration); and
4. Adaptive learning.

It is in the context of the third outcome that the RPE PI is developing a programming capacity on 'Productive strategies for poor rural families to participate successfully in global economic processes'. In November 2005, IDRC invited the Overseas Development Institute in London to implement a Scoping Study in order to prepare an agenda of priority research for this RPE PI theme. The aim of the Scoping Study is to provide a conceptually robust and empirically sound rationale for the allocation of some CAD\$1 to 4m in research Calls for Proposals that will be launched each year in the remainder of the five years program cycle from July 2006 to 2010. The emphasis is on transformative research that will not just study the conditions of the rural poor – but undertake the research necessary to change them. The need was articulated for a research agenda that will be concerned with diagnosis but especially with inspiration. During the study ODI will:

1. Identify and review research directions and actors by: preparing an agenda of priority research areas; highlight critical issues regarding methodologies; identify on-going working within the scope of the theme by other donors and related institutions; and, identify potential partners;
2. Provide recommendations that enable RPE to build a coherent programme of research in this area, including possible collaboration with other IDRC programmes – such as Globalisation, Growth and Poverty (GGP);
3. Identify the policies, process and institutions that will expand the potential benefits of wider linkages to the rural poor and allow the development and dissemination of these findings with researchers, NGOs and civil society groups and policy-makers in the South; and
4. Identify ways to enhance the capacity of rural communities to develop their own indigenous capacities and define their own productive strategies to improve their livelihoods.

There are four phases to the study:

- An inception phase when the study team and members of IDRC's RPE programme held discussions and made agreements on how the study would be implemented (see Inception Report);
- Regional scans for six target regions with documents produced and distributed in February and March 2006;
- Country studies for each region, with Egypt and Uganda selected for the Nile Basin.
- Results from all regional scans, country studies and workshops will be brought together by the London based team to develop a research investment strategy which will be presented to IDRC in June 2006

The regional scan for the Nile Basin region has the objective of identifying:

- Regional research themes that are related to how global economic processes can have a positive impact on rural poverty and the environment; and
- Potential IDRC RPE research partners and implementers of research in the region.

The scan is based on a methodological framework, which can be found in the study Inception report, and the document has the following structure:

- Brief overview of socio-economic development issues in the Nile Basin.
- A regional perspective on:
 - How can poor rural households adapt their livelihood strategies to benefit from participation with global economic processes?
 - How can the enabling environment be enhanced to support the successful participation of the rural poor?
- An overview of contemporary and likely future relevant research activities that will:
 - indicate 'gaps' in the research agenda; and
 - identify potential future partners for IDRC's RPE programme initiative between 2006 to 2010 as either co-financiers or undertakers of relevant research in the two IDRC regions (Eastern and Southern Africa and the Middle East and North Africa) that are within the Nile Basin.
- A list of possible research themes.

The key objective of the current document is the validation of the main findings and the proposed research themes of the Regional Scan for the specific case study of Egypt.

2. VALIDATION OF KEY FINDINGS FROM THE REGIONAL SCAN

2.1 HOW CAN POOR RURAL HOUSEHOLDS ADAPT THEIR LIVELIHOOD STRATEGIES TO BENEFIT FROM PARTICIPATION WITH GLOBAL ECONOMIC PROCESSES?

2.1.1 Understanding the context

Data related to Egyptian rural and urban areas should be keenly considered. In addition to problems concerned with data in general (accuracy and credibility reduction and report value variation from a source to another, lack of dependable estimations for informal sector), data based on rural and urban areas classification face more restrictions. Most depend on the differentiation between urban and rural governorates because of the difficulty to reach rural and urban areas data exclusively¹. The former does not highly affect the data of governorates classified as urban ones as a result to the inconsiderable rural representation in them. But it highly affects rural governorates' data, which are dealt with in many studies as rural areas despite of the effective representation of urban areas within them.

In accordance with the official numbers, 20% of the Egyptian population lives in urban governorates and 80% in rural ones. It is likely that urban governorates' share of population exceeds the official numbers, hence, rural governorates are divided into northern ones (Lower Egypt) and southern ones (Upper Egypt). Furthermore, the last comprehensive population enumeration in Egypt goes back to 1996. Since then, many qualitative changes took place, which cannot be specified by just adding the natural increase in population.

The most important change is that the definition of rural and urban areas is no more clear and identified. In spite of the fact that many people have moved from rural to urban areas (mostly in slums), they are still registered in their original areas and characterized by rural economic, social and living patterns. On the other side, urbanization phenomena increased in rural areas in a way that exceeds even some of the urban areas in urbanization. However, they are considered to be rural areas from the administrative point of view. Therefore, the "ruralization" of urban areas and the urbanization of rural areas became a widespread phenomenon. According to the administrative division, Egypt comprises 4552 rural administrative units (village) against 283 urban units (city, municipal or district).

Yet the overlapping between rural and urban characteristics together with address, place of work, temporary migration and household members division between villages and cities make rural-urban classification an estimated one that requires more accuracy and reconsideration.

Despite of the above mentioned limitations, the rural and urban available numbers could be dealt with as estimated indicators reflecting a big portion of reality. According to such indicators, poverty in general could be thought of as highly spread in:

¹ Human development reports on governorates level cover part of the missing data, though they do not cover all the Republic governorates and do not directly refer to measuring poverty in rural areas.

- Rural governorates than urban ones.
- Rural areas than urban ones in each group.
- Upper Egypt than Lower Egypt

Undoubtedly, Upper Egypt is considered to be the poorest area (includes 36% of population and 66% of the poor). Remoteness from cities and reduction of agricultural productivity and returns are considered to be some of the reasons leading to the described outcome. But the most important reasons include poor infrastructure, low level of social services, increase of the population growth rate, poor economic growth rates and a huge lack of job opportunities. These factors are attributed to the relative weakness in governmental investments directed to Upper Egypt in proportion to its population rate and circumstances deterioration; a fact that caused Upper Egypt to be a non-investment attracting area.

Rural Poor

Defining the poor in rural areas includes many categories that can be generally classified in the following groups:

- Small farmers.
- Small lessees especially after leasing relationships liberalization.
- Agricultural labour.
- Non-farmers living in rural areas (people of marginalized jobs, small income jobs, small and family projects and unemployed).

Characteristics of Poor Rural Households

- Unpaid family work.
- Farm work practiced, with different levels, by all household members including women and children whether completely or alongside education or non-farm domestic work.
- Non-resort to paid labour.
- Lacking work division.
- The main production goal is domestic consumption .
- Mixing between cash crops and own-consumption crops
- Lacking economic surplus that allows capital accumulation.
- Prevalence of traditional crops planting as a result to lacking information, technical expertise and marketing potential for non-traditional crops (in addition to traditional crops having low cost and risk).

Tenure

Small and micro land tenures prevail in Egypt agricultural sector. Tenures of less than 5 feddans represent 96% of the total tenures and 57% of the total agricultural area with an average of 3.7 feddans. Tenures between 1 to 3 feddans reach 42% of total tenures and 27% of the total agricultural area with an average of 1.7 feddans. The minute tenures, which are less than 1 feddan, reach 36% of the total tenures and 7% of the total agricultural area with an average of 0.5 feddan.

These figures reflect the official situation whereas reality shows a far more extreme tenure fragmentation, for the plots that are wholly registered in the father's name usually are divided between the children. Also, much of the tenures, even the small ones, do not represent one unit, as they are divided into 2 and 4 plots.

Most classifications tend to consider tenures with less than 1 feddan to be a micro one, 1 to 3 feddans a small one, 3 to 5 feddans (sometimes to 10 feddans) a medium one, and above that a big one (this is not applicable for the new desert cultivated lands). Generally, small and micro tenures are classified as poor

Land Use

As a result to agricultural land scarcity, intensive growing prevails, in which lands are planted two to three times a year. Old lands, in Lower and Upper Egypt, mainly grow traditional crops. In relation to new lands (newly cultivated), they mainly grow vegetables and fruits. As for Egyptian villages, they are traditional and central in what concerns the population concentration. Because of rainfall scarcity, pastoral areas do not represent one of the major land use patterns in rural areas. They are zones confined to desert border governates and the prevailing tenure pattern there is either common property or customary seizure. Other than that, pastoral activities in traditional rural areas are limited to pasturing in intervals between two crops growing, as animals are fed on secondary products and field residues.

2.1.2 Distributional issues

Household Livelihood Strategies:

- Renting an additional plot, taking place on the basis of participation in production or against a cash lease.
- Animal production, which is used in field work, personal consumption and considered to be a sort of saving that could be transferred into money when needed.
- Agricultural work for others. Agricultural labor is highly required in harvest seasons and untraditional crops planting. Outside labor is nearly not required in small household farms that grow traditional crops.
- Non-farm work in village or near areas. It depends on the economic growth level in the area.
- Domestic products and animals. They are exposed to selling or exchanging in case of market dealings.
- Establishing small or domestic projects. They depend on finance, information and market provision.
- Working in the nearest urban area and continuing living in village. This depends on skills, education, location and transportation provision.
- Internal and external temporary migration. Some household members resort to migration for a specified period or in a seasonal form.
- Permanent migration, which is nearly, confined to internal migration to cities (and represent a main element for slums around big cities with population reaching couple of millions). It further includes working in Gulf countries, although this has decreased in the last decade.

Agriculture Sector Liberalization Impacts:

Impacts of agriculture sector economic liberalization measures on rural people have differed between negative and positive ones. The net result of the impacts and the distributional outcomes also differed.

The most important procedures of agriculture economic liberalization policies are:

- Repealing the obligatory crop rotation, which means the probability of transferring from traditional crops, required by government policy, to more profitable crops.
- Repealing the obligatory crop delivery and the obligatory pricing. This point is related and a result to the above mentioned one.
- Liberalizing trade in agricultural production requirements and raising their subsidy, after being semi-monopolized by state owned institutions and companies.
- Liberalizing credit market and abolishing the subsidized interest rate on agricultural loans.
- Liberalizing agricultural lands leasing relationships, important factors of which are specifying the lease period and increasing the leasing value.

Relations overlap between such measures' effects and their impact on different categories. Increasing return because of repealing the obligatory crop rotation and the obligatory crop delivery, choosing the highest income product and raising products' prices are all positive aspects was faced by the opposing impact of product and credit requirements' price increase. Therefore, they led to increasing production costs especially lands lease, which the increase in value was not confined to new law provision (22 times as much as the taxes) but to supply and demand law in the light of the limited supply and increased demand on lands.

Generally, one can say that medium and major tenant farmers were capable of benefiting from the referred to changes and employing them for their interest. At the same time small poor tenant farmers increased and new categories entered the circle of poverty.

Impacts principally recorded on rural areas poor:

- Production costs increase, especially leased lands, requires the ability to increase return through the best utilization of lands. The matter that is not available for small tenant farmers, who lack financing, market information, skills, risk bearing capability and who have to keep, even if partially, the same production pattern for personal consumption to achieve the minimum food security for the household. All the former besides the economic disadvantage of small production, consequently, led to most of small farmers' inability to cope with and benefit from the new situation.
- This is related to the economic and social regression of rural areas poor and having new categories under such classification, those who were forced to give up the leased lands for being unable to pay the high leasing value and who had to sell their lands. Both categories came under poverty classification.
- Poor farmers are net buyers, i.e. they are negatively affected by globalization, through the price-increase of the goods they buy, more than being positively

affected, through selling their products. The problem also is reflected in the deteriorating exchange rates (or terms of trade) between cities and villages

- Changing leasing law led to lessees getting out of official credit markets. This case does not apply only for those who lost their leased lands but also for new lessees as their tenures are no more short term ones that are not accepted as a credit guarantee similar to the case during the old law. Also, small tenant farmers face increasing obstacles in paying back loans as a result to interest rate increases.
- Lessees, even the best circumstances ones, could not direct long term investments in agriculture as a result to the limited lease period, thus, depriving them from many investment opportunities.
- Increase of the poor, especially in the light of the weak non-farm economic sectors growth, which led to increasing agricultural and non-farm labor supply and rising the unemployment rate among such category.
- Producers, medium and major tenant farmers, were able, in a way or another, to face living costs increase in general, (especially after exchange rate liberalization in 2003) through raising their products prices - whereas goods and services price increases represented a challenge for rural poor survival in particular.
- Some phenomena expressed poverty reproduction and inheritance for succeeding generations. Rates of children leaving schools increased. They further are pushed to work for lacking education fees and for needing their work return. Households spending on food, health, clothes and other basic needs decreased.

Environmental Sustainability

Accurate research outcomes for environmental impacts resulting from agriculture liberalization are not provided. But general indicators could be recorded:

- Inputs price increase led to fertilizers and pesticides rationalization, thereby representing positive environmental impact.
- In an adverse effect, the short lease periods led to non-maintaining lands fertility and quality. Lessees are looking forward to achieving the highest return in their lease periods disregarding long term land productivity.

2.1.3 Constraints to participation

Most of the obstacles preventing the rural poor from effective participation in the internal and external markets, as described in the regional scan, are applicable to the Egyptian situation:

Lack of assets: most rural poor households are among small and micro tenant farmers categories and small and poor lessees, who were joined by new numbers moved from lessees bracket to poor one after new lease law application. Here, lacking the land resource, absolutely or sufficiently, a major obstacle facing participation in market. Even owners direct most of their production to personal consumption, except for areas near to cities in which vegetables are grown, even in small tenures. Lack of assets also comprises the rest of capital goods for example machinery and storehouses.

Financing further represents a major problem, as the credit market is completely liberalized, with a doubling of lending costs. Moreover, there is a semi-monopolizing situation facing small tenant farmers, as they cannot deal except with Principal Bank for Development and Agricultural Credit (PBDAC) depending on the agricultural I.D. registered in cooperatives, which do not represent a base for lending in other commercial banks that do not, in principle, like to deal in small loans with fragile guarantees. The Bank semi-monopolizing situation led to many difficulties resulting in many people getting out of the credit market together with all lessees after changing lease law.

Skills and education low level is considered a challenge, though it comes after the other circumstances, hence, it is not the major element in the light of the other obstacles. It was not proven that households with some educated members were not capable of having successful access to markets. On the contrary, poor farmers in cities suburbs successfully had relative access to markets without raising their educational and skills standards. However, the practice itself made market dealers gain new skills such as planting untraditional crops leading to the accumulation of new expertise.

In relation to **nutrition and food**, undoubtedly the health and food level of rural poor households' members is very low, as proved by human development reports and other related studies. Nevertheless, it is difficult to assume having a direct and significant correlation between health and nutrition level and market participation opportunities, though concentrating on achieving household food security makes the main goal of production covering household members' food needs.

Insecurity is an important impediment facing participation in market. Among the reasons making small tenant farmers resort to traditional crops, despite their low returns, is their inability to bear risk and lacking an insurance system helping them to face such risk. The same is applicable to their non adoption of technical innovations. Rural insecurity problem increased after the application of new lease law, as the leasing relationship extending to one crop period or one year, which is the most spread form, cannot be described as a secured lease or a secured tenure. Furthermore, lack of awareness concerning law, rights and duties, incapability to deal with rights based institutions and absence of or weak practicing of social security are additional factors intensifying the problem.

With reference to **remoteness from market**, the geographical distribution of agricultural lands in Egypt, in the Delta and around the Nile River, disallows the existence of naturally isolated areas (except for limited Bedouin communities). Also, urban areas infiltrate rural ones in a homogenous way. But there are regional differences in the economic growth level and supply level in areas between one

another. Therefore, nearness to big cities is considered a relative advantage boosting more participation in market. Nearness to Lower Egypt city markets also represents a more relative advantage than nearness to Upper Egypt cities market.

Inputs markets factor is related to the aforementioned ones. From the demand side, small tenant farmers specify their dealings with purchased inputs in very restricted limits because of lacking cash money and reducing production costs to the minimum. In relation to the supply side, the rest of inputs cannot be generalized because some of which are provided while others are not for periods, may be long or short. Besides agricultural cooperatives role regressed in providing inputs and the dependence on the private sector increased in the shed of the poor monitoring of quality and specifications. The factor to be generalized is the continuous rise in inputs prices, especially the imported ones, the matter that increased after exchange rate liberalization. In the light of lacking liquidity, small tenant farmers had to accept exaggerated input prices against delaying payment to post-harvest phase or paying on installments.

The severe shortage in **information systems** is another problem facing participation in market. The Egyptian farmer has remained, throughout decades, following central instructions specifying when, what and how many to be grown from each crop, determining the amounts to be obligatory supplied with a certain price and identifying how and when to carry out the agricultural processes through cooperatives and extension against subsidizing production requirements and providing facilitated conditions credits. Agriculture sector liberalization was not accompanied with an alternative information system through which farmers can take agricultural decisions. Such is not a problem facing poor tenant farmers only but medium and major tenant farmers also.

Poor marketing infrastructure represent, similar to the above elements, a major problem exceeding rural areas poor of small tenant farmers, though they are the most people suffering from the effects. This element links with information shortage, representing a main obstacle to successful market participation. The shortage includes the required preparation for post-harvest treatments: for example sorting, grading, packing and processing. So, it obstructs the opportunities of achieving increased added value for products and raises marketing loss percentage. In addition, small producers lack marketing channels, through which they can have access to markets, and their limited potentials disallow them to achieve the former on their own. Consequently, they surrender to unjust selling conditions intensified by their lack of liquidity leading to selling the yield before maturity to an intermediary party aiming to quick money acquisition, therefore, accepting low prices.

Finally, **the institutional factor** is the factor selected to be at the top of priorities for treating most of the obstacles above mentioned. Transferring from the central system to free market system in agriculture sector took place without providing the institutional base organizing, supporting and qualifying farmers to face these radical changes. On the contrary agricultural cooperatives role retreated, which used to carry the credit functions and provide inputs, information and marketing, and distributed most of their tasks on Principal Bank for Development and Agricultural Credit PBDAC and private sector, and both deal in a commercial base. Thus, farmers had to deal with new situations that they are not provided with their tools.

Cooperatives suffer from many problems hindering carrying out their roles, some of which are internal related to structure, lack of financing, human capacities and poor awareness with cooperation philosophy and role, and others external related to organizing laws and the society environment as a whole.

2.1.4 Household livelihood strategy options

Resorting to internal and external migration, as a means for facing rural poverty, is a widely spread phenomenon and follows various patterns, important of which:

Temporary internal migration:

Temporary migration to cities, especially big ones, for work, which is usually in the form of daily work for males, and they are jobs requiring no special skills at the top of which construction. There are centres for job seeking people, where they sit waiting for any work demander. Such labour supply exceeds the demand, the matter weakening the worker negotiating-situation in specifying his daily payment. The payment decreases as the day hours go ahead. Many rural youth resort to less effort and more marginalized jobs and concerning girls and women they usually work in housework. In temporary migration cases, the rest of household members remain in their place of origin. Usually, the work economic level and return are low in a way disallowing forming any surplus helping in capital accumulation. The major goal is to cover the basic needs of the rural household or at least the migrated person. That is to say the payment pattern does not, mostly, help in getting out of poverty circle.

Permanent internal migration:

This mostly starts with one person temporary migration, in accordance with the above mentioned pattern, but he achieves a sort of success and stability after receiving a more permanent job opportunity or after succeeding in a private work like vegetables trade. In most cases, his family moves to live in city or more accurately in slums in city suburbs (from 1986 to 1996 internal migration reached 1.8 million people). Usually, relatively permanent job or private project do not represent a strong foundation ensuring family income. Nevertheless, such jobs are somehow fragile and easily lost but after the family acquire better knowledge with city and job opportunities there, though marginalized and unsecured, allowing them to continue. Sometimes the family fails in bread winning, so, re-joins the village household. Rarely, the referred to pattern accomplishes capital accumulation or even an increase in income and living standard, so as to come out of poverty circle.

External migration:

This is mainly confined to temporary migration, even if it lasted for long year time still it cannot be transferred to permanent migration for poor farmers. It cannot be transferred because poor farmers are related to village and relative relationships in village, and they fail to establish a new life in place of migration and cannot be accompanied by their families. 1980s witnessed a boom in Gulf Arab countries migration but this trend highly retreated since the beginnings of 1990s as a result to the political and economic circumstances in Middle East.

The former pattern of migration usually achieves surplus allowing the formation of savings. Yet economic and social impacts differ according to the pre-migration economic standard and its achieved savings. Purchasing lands is the first priority to return investment followed by constructing residents and buying cattle. Small enterprises establishment is not an advance priority in such returns usage. Consequently, in this concern, a generalized assumption of external migration impact on poverty or participation in market economies cannot be reached.

Many studies recorded migration impacts on women status in rural household. Women traditional roles and importance increased and practiced new roles that were not performed before during the presence of the household male. These roles

include arranging living expenditures, taking production and living decisions, dealing with economic institutions and services organizations and marketing agricultural and domestic products. Therefore, these roles reduced women subordination in rural household and gave women more independence.

It is difficult to separate male migration from the other parallel elements, which participated in women role development. They are elements related to social change as a whole for example modernization, education, illiteracy eradication and spreading communication means. It is emphasized in the development difference between women in Upper Egypt and in Lower Egypt, as the change in Upper Egypt was remarkably less than Lower Egypt, despite of the fact that Upper Egypt was one of the areas that witnessed migration waves. Such is attributed to developmental level difference in general and to the more conservative nature of Upper Egypt people, which dictates stronger commitment to customs and traditions.

There are returns heading in the direction of increasing the non-farm share of rural household income and others in an opposing direction in a way the final result differs. There is no general number, specified data or change estimate of non-farm return to household income.

Some of the most important factors supporting the non-farm share increase are:

- Reduction of agricultural work return, either in private farm or paid work, to the level uncovering household basic needs.
- Disguised unemployment related to marginal productivity serious decrease for work element, which may reach zero or take negative values.
- Refusing to work in agriculture for high educational levels.
- Refusal of internal or external migrants to work in agriculture for acquiring other skills and other occupation practices, which they can continue doing after arriving to their original places.
- Non-farm population increase in rural areas.
- Economic growth providing, to some extent, non-farm job opportunities, especially in the construction sector, either in rural areas (building residences is considered a high priority in capital accumulation investment, especially achieved from external migration) or in near cities, especially the big ones.

The most important factors hindering the non-farm share increase are:

- The poor investment and even poorer economic growth
- The industrial sector's limited share of the economic growth, although it offers the most permanent jobs.
- The fact, that the economic growth is focused on the construction sector, which offers the least permanent jobs.
- The inability of the poor to access the rapidly growing service sector, due to their lack of skills.

There are many successful models for private sector dealings with export markets, some of which are related to cooperation with family farms sector. Although these farms supply products to exporters with local prices, which are better in the case of

contracting with exporters on determined specifications production, the major return is taken by the exporter.

Despite of the absence of a legal barrier preventing agricultural cooperatives, in their central levels, from exporting, the aforementioned problems, which prevent cooperatives from even carrying out their actual tasks, hinder their exporting capability. Furthermore, various people, responsible for selected cooperatives specialized in exporting, are members in private sector owned competing organizations. Thus, they are not interested in developing the exporting role of their cooperatives.

In spite of that, there are some cooperative cases, which successfully exported, though it was attributed to personal factors more than objective or structural ones.

2. 2. How can the enabling environment be enhanced to support the successful participation of the rural poor?

2.2.1 Overarching issues

The aggregate effect of economic changes on the rural poor (as consumers and producers) was discussed in the former sections.

Concerning private sector response to economic liberalization of agriculture, there is a clear response from private sector by entering agricultural inputs and products market in rural areas, after allowing private sector to enter such markets and after confining agricultural cooperatives role in them. The private sector further plays the major role in importing inputs and exporting products.

Private sector contribution average in agricultural investments reached during the period from 1997 to 2003 about 65% from the total agricultural investments annually.

The largest portion of these allocations is being spent on the project of horizontal expansion and construction of the infrastructure of the agricultural sector. This includes reclamation of desert lands, execution of irrigation and drainage projects, establishment of storage and freezing warehouses and their maintenance.

But this response is relatively low if compared to other fields. As the total investments directed to agriculture for the same period reached 12% of the total investments in all sectors.

For example since 1980 until 2004, 63% of investment loans taken by private sector were directed to services and trade projects. 30% of which were the share of industry. And only 3% of commercial banks loans were the share of agriculture investment.

Even if Principal Bank for Development and Agricultural Credit PBDAC was taken in consideration, the value of loans granted for agriculture sector would not suit the sector volume as it would reach around only 7% of the annually granted credit.

However, this response represents a natural result to market mechanisms, as the sectors to which private sector was directed are the most benefiting ones, especially for major investors.

Despite of the wide scale changes in agriculture and rural development policies normally connected to governments change, the general direction could be inducted from long term strategies and plans.

There are two documents that clarify rural development policy.

National Strategy for Economic and Social Development from 1997-1998 to 2016-2017

The strategy did not include any chapters related to rural development or poverty. It only comprised a section on agriculture, though it no more represent a reference in such a field as an independent strategy was set for the agriculture sector and continued what came in the comprehensive strategy under the title:

The Strategy of Agriculture Development Until the Year 2017

Among the strategy 13 goals, there was no explicit reference to rural poverty or development. The strategy focused on macro goals concerned with total production, exports and expansion in agricultural lands. Such a dimension came implicitly in the scope of the goal related to work, which provided for:

"Creating new job opportunities within the agricultural sector, thus leading eventually to increase income of producers and improve living standard for rural population".

This is considered in line with the general method separating, in a semi-complete form, between the concepts of rural and agricultural development. Each of each is referred to separated bodies, thus, restricting the general perception and theoretical application of rural development to the aspects of social services and agricultural development as a technical economic mission of national goals.

Beginning with this concept, agricultural policies move forward (which differ from a year to another in an opposing form) especially toward achieving quantity production goals.

Therefore, many sees the incentives and facilitations provided to major agricultural investors highly exceed those provided to poor farmers. It is attributed to the difference in influence between investors, united by organized and strong unions, and poor farmers, lacking power and organization. From another side it came as a result to the priority given to production increase than social or distributional element.

The main enhancing forms are represented in providing guarantee prices expressing the minimum price of grain and cotton crops. Such case does not primarily follow small farmer supporting policies as much as following the general policy aiming to encourage, for national reasons, the production of certain crop. So, it explains the former policies difference from a year to another.

Providing free extension service is also considered a means of support to small agricultural producers, though such a service is suffering from poor potentials, consequently, implementation shortcomings.

In the light of these circumstances, the taken procedures of the supply side or small business are still insufficient to achieve tangible change.

2.2.2 Access to factor markets

There are no specialized financing institutions or programs targeting rural poor. In over viewing the available official financing means, commercial banks could be discarded. In spite of these banks limited lending rate directed to agricultural investment, the loans are confined to medium and major investors. Hence, small farmers potentiality in receiving official finance is allocated in the following:

The Principal Bank for Development and Agricultural Credit (PBDAC)

It is the only bank that small holders can deal with, as it does not require official guarantees, which are not provided for most of them, but it gives the credit on the basis of the farmer membership in agricultural cooperative. Until the beginning of new lease law application, lessees had the right to receive loans with the same conditions of holders, but now they came out from the bank dealing circle. It is difficult to disregard the bank, but it is even more difficult to consider the bank and its loans to be a means to combat poverty, as the bank deals with farmers on commercial basis, namely, with high lending costs and with conditions worse than the commercial banks, as it imposes the monopolizing characteristic, thus, there is no other options for small holders except approving the bank conditions.

The Social Fund for Development

The Social Fund for Development was created in 1993 to work as a partner in a social security network that protects the society from the different negative impacts of the national economy-restructuring phase. Following the goals of the Fund, the targeted social groups of its activities are the poor and the unemployed.

Rural population represents the majority of targeted groups. The Fund directed a big portion of its financing to rural governorates.

Around 4.5 of 7.7 billions granted by the Fund since its establishment, were allocated for self employment projects, 2.5 of which were the share of rural governorates, 1.5 of which were allocated for micro loans, 75% of which were directed to rural governorates. The Fund also allocated 2.5 billions for infrastructure services programs, which were nearly directed completely toward rural governorates.

Despite of the fact that the Fund provides, besides loans, technical support and feasibility studies, most of the employment loans go to traditional projects for example animal production. The major problems, related to marketing and loans high costs, still exist facing the Fund dealers, especially the rural poor of the least skills and capabilities and the most remote from active markets and information sources leading to many projects stumbling and failure. In the framework of such study, data or results of studies were not provided on loans beneficiaries of rural households or even on loans impact on developing farms, farm income and rural poor in general.

Local Development Fund

The Fund was established in 1979 to lend Local Governing Units aiming at providing loans with facilitated interest to establish local development projects with economic return. The Fund is related to the Body for Egyptian Village Building and Development. By the year 1994 the Fund activity concentrated on working within the framework of "Shorouk" to provide loans for economic individual projects after carrying out feasibility studies for them. A number of projects were financed, which their total investments reached 198.094 million pounds and 141.222 million pounds were provided by the Fund and the rest was collaborations from people. With the investments, 57.667 thousand projects were financed economically in 4183 village in

all governorates. The lenders reached 57.667, 40% of which were women. The Fund provides a facilitated interest loans (6%) and gives due concern to rural women. Most loans are directed to animal production projects.

The Fund suffers from State double standard. While the State exempts small projects from taxes if received its financing from Social Development Fund, it does not, if it received it from Local Development Fund (or even if the project was carried out with fully personal efforts without loans).

Disregarding the Fund financed successes, the Fund's limited potential cannot make it highly effective on the Egyptian rural areas as a whole. The Fund total capital reaches 57 millions 20 millions of which should be frozen as a guarantee to the banks implementing the Fund programs.

Small and Micro Credits' Role:

Experts emphasize on the development of such credits and on their importance to poverty eradication. According to them the failure of programs concerned with these credits is not a result to their nature but to the macro framework as there are two conditions for the success of such credits:

- The provision of development friendly macro policies that can employ these credits on the micro level.
- The accurate direction of these credits toward the targeted poor.

The customary ownerships are not considered to be a problem in Upper and Lower Egypt lands, as ownerships depend on formal laws and rules. But land ownership, despite of that, is related to other numerous problems representing barriers in the way of development and market participation: The registered ownerships do not express reality. They are usually remaining in the father's name, though divided actually during his life or after his death among inheritances. Data concerning tenure may be changed or not in the cooperative. Rarely, ownership is transferred and legally registered in inheritance names because of the high costs, procedure intricacy and documents provision difficulty. The matter that limits, studying agricultural tenures reality accurately and directing procedures in a more effective and efficient way, and disallows using small farmer holders ownership as guarantees for loans in commercial banks.

One of the strategies that poor households resort to in rural areas, to face tenure serious fragmentation, is preventing female inheritances of lands, either against real or symbolic compensation or by imposing fait accompli. Women, from the social point of view, cannot take a hostile situation from her male relatives participating with her in the inheritance.

As aforementioned changing lease law led to the prevalence of short leasing periods and usually on customary basis. This lease could be described as unsecured lease that disallows taking loans or medium and long investment in the leased land. It further does not encourage maintaining land fertility or applying any land improvements.

Seizure of new land plots (in marginal and desert areas) and resorting then to acquiring legal ownership is of the common methods followed to reach land ownership. But this method needs cost and influence that are not provided to the rural poor.

Customary ownership remains to be the prevailing pattern in desert lands resided by Bedouins but it does not represent a secured ownership, as they are exposed to

ownership deprivation discarding any utilization rights entrenched for generations that may reach hundreds of years.

Despite of that some of who succeed in taking compensations from investors, using the lands, and others receive compensation from governmental bodies, though the compensation in such case is not for the land, as they are not recognized as having right in the land, but for trees and sometimes houses. Concerning the attempts to legalize their ownership, they often fail or result in holding a limited area of the lands that they use in pasturing and planting. From the widely spread practices also is the coming of outsiders of individual investors and companies or State directed projects, such as graduate youths projects, thus, original residents would have to withdraw against the new investment facades.

Generally the potentiality of providing new lands is limited as a result to the water scarcity and the agriculture economic feasibility loss.

To a great extent the Egyptian farmer benefited from the developed technologies in agricultural inputs for example seeds, fertilizers and pesticides, in the light of central planning and inputs supporting. This took place through cooperatives that worked as State tools to achieve national goals. Agricultural extension had a big role in spreading the usage of these prescriptions reflected on increasing productivity during the last decades in a remarkable way, though regionally unequal, as productivity averages decrease in Upper Egypt than in Lower Egypt.

With agriculture liberalization and subsidy abolishment, farmers are facing difficulties in reaching their needs of these inputs, for price increase and quality non-guarantee. However, the former reasons did not prevent farmers from using the inputs that became part of the agricultural system, yet, reducing agriculture profitability especially for small farmers, so, resulting sometimes in not using the suitable amounts in the right times. On the other side, the inputs were exaggeratedly used in short lease periods targeting the achievement of the utmost return in the least time.

While some of the agricultural inputs are produced locally and others imported, all agricultural machinery are nearly imported. The imported machinery problem is not only confined to high prices and operational costs but also to being inconvenient with local circumstances. These kinds of machinery problem are connected to the provision of labour impediment in areas suffering from all types of unemployment and the relation between the machinery operation technical and economic efficiency and working in large space areas. The matters that are not available in the traditional Egyptian agriculture sector in general and small and micro farms in particular. Whether in daily life aspects or in production processes, farmers have no other choice except selecting one of two things: either resorting to advanced technologies (tractors, harvest machines and building cement houses) or traditional technologies used from a very long time some of which from hundreds or even thousands of years (axes, sickles and mud and wooden houses). The two choices express lacking of a third one representing a technology, suitable for local circumstances, based on recognizing and developing traditional technical knowledge in the light of the scientific knowledge, thus, reaching a non-expensive cost compromise adequate for small areas, improving quality, reducing loss and facilitating work without leading to more unemployment.

As a result, agriculture did not witness appropriate development in agricultural machinery usage. In 1976, the feddan share of human capacity (in horse measure) was 19%, animal capacity 50% and machinery 11%. And in 1996 the shares became 10%, 48% and 42% consecutively.

Most of small farmer holders, using machinery, do not own them. They pay for using them from small agricultural and non-agricultural investors.

Applying technology in a top-down way without interaction between local communities or development of what they already possess is the main problem of technology transfer¹. Mechanizing agriculture sector however is inevitable as a result to the new generations' reluctance to do agricultural work.

Minimizing production and marketing loss through technology

Ministry of Agriculture provide the extension service for free but its poor potentials make it unfulfilling completely to the goal. Like any other procedures in agriculture sector, extension service is directed to macro-goals, for example, encouraging the growing of a specified crop, limiting pests spread and rationalizing water usage, consequently, extension is nearly restricted to the technical aspects of the production process (especially pesticides combating). So, there is no important extension service to provide information, assist the producer in decision-taking concerning productivity, loss reduction, post-harvest dealings or marketing methods. Ministry of Agriculture is working on developing the extension service and introducing new non-bureaucratic methods such as participatory extension.

2.2.3 Process

Taking in consideration rural changes that make social and economic characteristics of rural population differ in a wide scale, a unified vision for procedures helping in incorporating rural poor in markets cannot be set. Rural poor could be divided, in accordance to the level of incorporation in markets, as follows:

- Dealing with markets as purchasers or producers and directing big portion of their production to market with conditions, not in their interest because of their poor economic, institutional and human capacities. They include small tenures, whose production, despite of their small volume, besides domestic production, is considered the major source of household income.
- Not dealing with market in a worth to mention way and could be attracted to it. They include micro tenures overwhelmed with the minimum production level, whose holders cannot cover the household major needs from only its return.
- Not dealing with market except as consumers in the minimum level. They structurally do not have an opportunity to deal with market. They include the poorest, working as paid labor in agricultural or non-agricultural business. They enter the lease market with very small areas in unorganized way.

The first two groups require a package of measures targeting agricultural products supply, which encourage their participation in market and improve participation returns. These procedures include:

1. *Structural and legislative measures*: they are related to reconsidering tenure structure. It may require, in the long term, setting a new agricultural reform vision finding alternative patterns for tenure between small and micro traditional tenures in old lands and the wide scale commercial tenures in new lands. This takes place, in a way, bearing in mind the goals of combating poverty, increasing production and raising efficiency. It is feasible to think in two directions, i.e. from one side better consideration of rural population in the horizontal expansion policies and giant projects, in order to reduce the concentration on encouraging major investors pattern

in wide scale areas against creating new rural communities, on the other side finding patterns for agricultural land aggregation for example common production, ownership securitization or credit granting aiming to aggregate the family possession in one party's hand and compensating the rest.

Reconsidering lease law is also related to such kind of measures, in a way achieving secured lease encouraging investment and better maintaining land resources.

2. *Institutional procedures*: they target organizing small producers in organizational frames such as cooperatives, unions and associations. Agricultural cooperatives enjoy a good infra structure, spread in all agricultural areas and have relations with agricultural producers qualifying them to be the best party to perform the organizational role concerning small producers, raising their negotiating skills as purchasers and buyers, finding the marketing channels and facilitating access to them.

3. *Measures for agricultural income improvement*: they comprise the technical procedures that decrease costs, increase productivity, reduce losses in different phases and measures that raise product added value through considering quality specifications, post-harvest treatments, namely, sorting, grading, packing and storing.

4. *Measures for non-agricultural income improvement*: without digging into the halted aspects of the economic growth in general, still there will be a wide space for the development of industries and crafts related to local materials, major and by-products and traditional professions. In such a field, Production Cooperatives opens way to an institutional form, capable of participation, has successful experiences on the internal and external market levels and suitable to small producers. Many NGOs are active in this field too.

5. *Measures targeting human capacity building*: they are important procedures to achieve sustainability for the other methods. They are further necessary to avoid poverty re-production for the coming generations. These procedures are related to education, training on different skills that are qualified for market incorporation and they are further related to health and nutrition aspects.

Concerning the third group, it is not feasible to be directed by the first three procedural patterns, though, the fourth and fifth measures packages are expected to be feasible and important.

2.2.4 Government support

Agriculture sector liberalization comes in line with the State public strategic direction that followed the market economy and required the starting of structural adjustment. The referred to new economic direction focuses mainly on achieving economic efficiency, reaching a better resource allocation and accomplishing the economic growth. The former is with the assumption that all the process parties will benefit, in a way or another, from achieving the former goals, some on the short term and others on the long one.

However, the starting point was not targeting the incorporation of rural poor in market, because those who own surplus, which allows them to sell or those growing cash crops, they were, in fact, dealing with market from decades whether as sellers or purchasers. Although the market was distorted as a result to the State central

interference either by subsidizing inputs or specifying products prices. The matter that sometimes benefited rural poor while others harmed them.

But agriculture sector liberalization (in the light of economy liberalization as a whole and its resulted outcomes of general changes) had positive impacts and others negative, the final result of which depended on market circumstances and strength of each group of market actors. There is a semi-agreement on the fact that poor households were more seriously exposed to the negativities than the positive aspects, thus, the final result was not for their benefit. As they were left to face economic situations that they were not qualified for. Moreover, the organizational frameworks and policies, increasing rural poor capabilities to deal with and benefit from changes, were not sufficiently set. Therefore, such was a motive for the State to re-interfere, in a limited way, for the sake of farmers, after years of economic liberalization policies application, to relatively treat these impacts.

Important form of interference is determining guarantee prices (minimum price that the State purchases with) for major crops, but this differs from a year to another. Sometimes the prices are announced after the farmer has sold his yield, so, the trader is the one to benefit then, the period during which the yield is to be supplied differs or a crop is included in or excluded from the products list determining the guarantee prices.

The State further interferes in the determination of crop varieties in order to protect the production from deterioration or pests depending on the results of the governmental research bodies' work. It also interferes in setting a maximum limit for the areas of high water consuming crops.

As for credit field, the State interferes with non-periodical decisions to alleviate farmers' bank debt burdens and failure to pay impacts. But the negative interference is the most important impact and it is represented in the refusal to establish a cooperative bank, despite of being consistent with the cooperative law.

In the field of production requirements, private sector plays the main role in providing them. It is noticed that the private sector, represented in medium and major investors, is more organized in forming producers and exporters unions, whether to agricultural products (such as Union of Vegetables and Fruits Producers and Exporters) or production requirements (such as Union of Seeds Producers and Exporters). Unions perform their role successfully, but they do not have place for or representation of poor agricultural producers.

The big supermarket chains resort to contracting with big producers for being keen on specifications, easy dealing, product consistency and saving transaction costs. This do not represent, until now, a significant impact on the marketing opportunities of small farmers, because the supermarket pattern in Egypt is confined to big cities and it rarely found in rural governorates. Even in big cities supermarkets chains represent a limited percentage of the total supermarkets and retailers. In relation to small supermarkets, of no chains, some of which deal with producers and others with whole sellers. The "normal" small retail shops and street vendors (roaming or in specified locations) are the prevailing pattern for vegetables and fruits selling, even in big cities. The consumer prefers to buy from them for being widely spread everywhere and of cheaper prices than supermarkets. As supermarkets add high costs to the prices, thus, being above the purchasing capability of middle and poor classes in cities that are the majority of food demand seeking.

The major marketing problem facing small producers is their failure to reach the main consumption market, whatever it was the retail selling form. Therefore, they follow whole sellers, with who they do not have a negotiating power, especially if they were

imposed to sell the yield before harvest when they need money to finance the agricultural processes. Thus, the small producer share of price diminishes and most of the return goes to intermediaries. Besides they lack experience in maintaining specifications and in post harvest treatments. Furthermore, information shortage makes them less capable of directing production to cover market requirements.

All the above makes them in a dire need of an organizational form bridging these gaps and improving their market position. This is also applicable to exporting opportunities that require a higher level of organization, capabilities, potentials and information provision.

2.3 SUMMARY

Table 1. The most important global economic processes in the international environment for Egypt and their impact on the rural poor (negative and positive)

Process	The rural poor as:				
	Producers and Collectors (Ag and Non-ag)	Workers (Ag, Non-ag but rural, Non-ag but urban)	Traders	Migrants (seasonal, permanent, national, international)	Consumers
Repealing the obligatory crop rotations	For those with ownership allowing them to allocate part of the product to the market or those specialized in producing for the market, repealing the obligatory crop rotations leads to growing high return crops, thus, some of them are able to increase their income.	Increase of the growing of untraditional crops leads to increasing labor demand and payments.	Boom in trade because a large portion of it moved to the private sector, especially with the regression of the agricultural cooperatives' role.	Increase in labor demand and rise in wages discourages migration.	Provision of products, especially vegetables and fruits and decreasing some of their prices.
Liberalizing inputs market	Increasing input prices harms	The decrease in agricultural return	Boom in trade, in a way that even benefits	Decrease in the agricultural return, as	Increase in production prices, as a result to

Process	The rural poor as:				
	Producers and Collectors (Ag and Non-ag)	Workers (Ag, Non-ag but rural, Non-ag but urban)	Traders	Migrants (seasonal, permanent, national, international)	Consumers
(abolishing subsidy, allowing private sector dealings, reducing the State's role to its minimum limits)	production economies, especially for people unable to transfer to untraditional crops. Therefore, it forces some of them to minimize the usage of purchased inputs.	pushes more people to the labor market, hence, it increases labor and reduces wages Decrease of the real wages as a result to the price increase in a more rapid way and bigger rates than the increase of the wages.	small traders.	a result to costs increase. This is an encouraging factor for migration.	the increase of the inputs' price. Decrease in the quality of most vegetables and fruits (Growing varieties yielding bigger amounts and preventing more damage on the account of taste and nutritional content).
Liberalizing agricultural lease	Lease becomes unsecured, because of the short leasing period and the lease non-documentation in many cases. Consequently, it leads to the reduction of medium and long terms investments.	Many former lessees moves to labor market which causes a supply increase and a real wages decrease.	Direct significant impacts were not recorded.	Encouragement of migration due to the Lessees' transfers to wage labor or unemployment.	Raising lease contributes to the price intensification of agricultural products.

Process	The rural poor as:				
	Producers and Collectors (Ag and Non-ag)	Workers (Ag, Non-ag but rural, Non-ag but urban)	Traders	Migrants (seasonal, permanent, national, international)	Consumers
	<p>The leasing value rises as a result to the limited supply and the high demand.</p> <p>Many people are incapable of maintaining their positions as lessees and are transferred to paid labor in agriculture or other fields.</p> <p>The real income of current or former lessees decreases.</p>				
Determining a guarantee price for major crops	The guarantee price boosts the production of crops to which it is applied, but sometimes the price is announced late,	Determining a guarantee price is only for major crops, which is a motivation for growing them on the account of untraditional	The guarantee price generally weakens the traders' market situation, which reduces their opportunities in	Increasing return stability is a discouraging factor for migration.	Consumers are not highly affected by the guarantee price as it is confined to grains, cotton and sugarcane. From another side,

Process	The rural poor as:				
	Producers and Collectors (Ag and Non-ag)	Workers (Ag, Non-ag but rural, Non-ag but urban)	Traders	Migrants (seasonal, permanent, national, international)	Consumers
	<p>and thus makes it difficult to plan agriculturally on its basis.</p> <p>Represent a sort of security to producers.</p> <p>Increase the negotiating power of producers.</p> <p>May cause the sacrificing with the best resources usage for the sake of an extent of security.</p>	<p>crops that require more labor. Thus the labor demand decreases.</p>	<p>achieving profits.</p> <p>In many cases, traders exploit the guarantee price for their interest through early purchasing of crops, before announcing the guarantee price for low prices then re-selling them for the guarantee price or storing them for a certain period and selling them for a higher price.</p> <p>They also benefit from the guarantee price, in case of purchasing crops before maturity, for very low prices.</p> <p>But in general, major traders benefit the most from these practices. Small ones</p>		<p>the guarantee price should not necessarily be bigger than the market price.</p> <p>Furthermore, cotton prices are not directly reflected on the consumers, as for wheat, which is the most important kind of grains, it is State subsidized, i.e. the State is to bear the price difference and not the consumer.</p>

Process	The rural poor as:				
	Producers and Collectors (Ag and Non-ag)	Workers (Ag, Non-ag but rural, Non-ag but urban)	Traders	Migrants (seasonal, permanent, national, international)	Consumers
			benefit in a limited scope.		
Liberalizing the exchange rate	Liberalizing the exchange rate brought about a serious decrease in the Egyptian pound value, the matter resulting in the increase of the imports' price including agricultural production requirements as a whole. Liberalizing the exchange rate on exports was positive, but small producers did not benefit from it as they have no access to export markets.	The nominal wages increased after exchange rate liberalization. However, the real wages decreased as a result to the slow and weak response of the wages increase in comparison to the price increase.	As a general response, traders raised their prices in all cases, be it imported goods, locally produced goods with imported inputs or even goods with no direct relation to the exchange rate. Nevertheless, the application of the former in rural poor areas is limited by the severe weakness in purchasing power.	Price increase and livelihood difficulty in a way that covers major needs. These are encouraging factors for migration.	Living costs' increase, especially in what concerns basic needs for their poor demand flexibility, formed new burdens on poor people as consumers. Because the referred to increase did not cope with the income increase. This led to allocating a big portion of the income for food, on the account of other needs, and reducing the consumption level.

3 PROPOSED RESEARCH ISSUES OR THEMES

Based on the analysis of the regional findings, the national situation and the outcome of the workshop the above mentioned regional themes have proven to be to a large extent valid for Egyptian circumstances. Yet it seems to be more purposeful if certain elements of the regional research themes are to be recombined to fewer, but more comprehensive research issues that better suit the situation in Egypt.

The selection of the referred to research themes took place bearing in mind additional criteria, namely:

- The themes should be related to how to change current conditions to achieve more participation instead of focusing on analyzing the reasons that have led to the current situation.
- The themes should concern issues with short term impacts and that do not depend on long term structural and legislative adjustments.
- The themes should be of general interest to the other regions.
- The themes should not be already over-researched by other institutions.

The following are the proposed country research issues.

Research Issue 1

How to assist agricultural cooperatives in order to facilitate market access by the rural poor.

The ability of small agricultural producers to successfully participate in internal and external markets is subject to their accession to effective organizations that gives them a hand in providing the services they fail to perform individually. Despite the fact that agricultural cooperatives are facing problems hindering them from fulfilling their actual roles, they still are the recommended candidate to do the former function, if not necessarily the sole one. Agricultural cooperatives number reaches 6334 including 4 million members and covering all rural areas. The cooperative has a hierarchal organized structure starting from the village level to directorate to governorate and finally central national level.

All the deficiencies that curb the opportunities made available for small producers to boil in the pot of the terms of reference of such organizations (marketing and provision of agricultural inputs, credit and information).

Tackling the problems of the cooperatives has been overly examined during the past years, however up till now there is no complete and doable perspective with regards to changing the current reality of cooperatives or even posing alternatives to them

The research proposes setting three scenarios to face the absence of an effective institutional organization for agricultural producers:

- Development of existing cooperatives under the current law
- Development of existing cooperatives under a new cooperative law
- Establishment of alternative organization (such as unions, geographical and qualitative links)

UResearch Issue 2

How to develop rural financial market serve the needs of the rural poor

Agricultural credit represents a severe problem for the poor in the rural areas due to the following reasons:

- Lack of access to commercial banks for most of the small farmers due to the absence of legal documents and land tenure deeds
- Increase of loan costs provided by the Principal Bank of Development and Agricultural Credit (PBDAC) to the level of commercial bank loan costs and sometimes even the PBDAC loan cost would exceed them depending on the monopolization stance of the bank; hence people face insolvency and feel reluctant to conduct any borrowing processes.
- The exit of tenants from the credit market after the amendments introduced to the Agricultural Lease Act due to the short lease periods and subleases.
- Farmers resort to some non-official lending channels such as selling the crop in advance against receiving the costs of production and life expenses in general, thus they enter into the vicious circle of poverty.

For example since 1980 until 2004, 63% of investment loans taken by private sector were directed to services and trade projects. 30% of which were the share of industry. And only 3% of commercial banks loans were the share of agriculture investment.

Even if Principal Bank for Development and Agricultural Credit PBDAC was taken in consideration, the value of loans granted for agriculture sector would not suit the sector volume as it would reach around only 7% of the annually granted credit.

Therefore, there is a dire need to tackle the problem of credit provision in accordance with terms and conditions that are consistent with the poor status.

Proposed research components:

- Tackling current credit sources and evaluating their role in the economies of small producers
- Identifying the possibility of developing current roles or provision of other alternatives, such as:
 - Establishment of a cooperative bank
 - Turning PBDAC into a cooperative bank
 - Establishment of lending funds affiliated to cooperatives
 - Empowering cooperatives to provide credit (lending funds)
 - Expansion of the role of the Social Fund
 - Expansion of the role of Local Development Fund

Research Issue 3

How to identify the rural poor

Numerous development programmes directed to the rural poor could not reach their goals due to their inability to identify the actual target group. This problem has two aspects that need to be explored:

A- Redefining rural and urban areas

Since the beginning of the 1990s, the global changes sped up on all levels, which were acutely reflected on the developing countries. The socio-economic differentiation in rural areas was one of the major characteristics.

If we took Egypt as an exemplar of this case, we will find a number of extreme changes that the Egyptian rural areas were exposed to and to which they responded with socio-economic differentiation exceeding the traditional perceptions.

Therefore, the traditional classifications and the available data do not permit clarifying the image of Egyptian rural areas; which is why policies cannot be directed to face rural problems and achieve developmental goals.

Proposed research components:

- Studying the current rural-urban classification.
- Analyzing the available related data on national level.
- Carrying out a comprehensive field scan to spot rural characteristics for a number of districts (centres) representing the Egyptian rural areas including towns and villages. This should be done on the widest scale possible.
- Evaluating the current rural-urban classification in the light of the aforementioned results.
- Providing an adjusted classification for rural and urban areas.
- Suggesting new administrative division basis.

B- Exploring the income structure of rural households

As part of the economic variables, retreat in agricultural land tenure and increase in population, the rural households have developed different and intertwined strategies to generate their income. Merger in the markets differ according to the variant strategies used.

Determination of policies to be used depends on combating poverty, merging of small farmers and identifying the structural pattern of household incomes.

Proposed research components:

- Analysis of the relative volume of different income sources
 - Income generated by plant production
 - Income generated by livestock production
 - Income generated by domestic production
 - Income generated by paid agricultural work

- Income generated by non-paid agricultural work
- Income generated by internal and external migration
- Income generated by official social insurance sources
- Income generated by unofficial social solidarity schemes
- Analysis of the level of participation in the market for different income structures

Research Issue 4

How to realize the potential of the non-farm rural economy to generate jobs for the rural poor. On one hand, the agricultural sector cannot absorb the employment surplus, neither at present nor in the future. On the other hand rural development can not be delayed until the development of national economy has sufficiently taken place to expand the labour market in general. For more employment in rural areas on the short and medium-term, small industries and handicrafts represent a promising area.

This requires that two fields should be investigated:

A- The market potential of small industries and handicrafts based on Local Raw Materials

There are low exploited raw materials in the Egyptian villages as follows:

- Processable agricultural products if simple technology is used, hence multiplying the added value of the product
- Downstream industries of agricultural crops that are disposed of or reused in a primitive manner leading to limited-value products
- Non-exploited or primitively exploited wild plants

In most rural areas, there is inherited knowledge and skills with regards to local industries that represent a comparative advantage in such areas. However, the primitive approaches used and the lack of capital, technical assistance, information and marketing channels deprives such local communities from using their comparative advantages. Consequently, potential industries are not established and products circulate among the poor, who are producer as well as trader and consumer. However, by slightly developing the product in accordance with internal and external market needs and organizing the production and marketing processes, such products would become a gateway for participation in the market on a large scope.

B- The opportunities for non-traditional small enterprises

There are several fields of production able to expand the labour market in rural areas and that do not need neither high technology nor large investments. However they do need sponsoring organizations that provide them with technical assistance, training programmes, marketing support, etc...

These fields do not only include the production of goods but also the production of services; production cooperatives are convenient candidates to accomplish that mission.

Realizing the abovementioned requires the identification of the market demands for potential goods and services.

- Conducting a survey on promising local raw materials and traditional industries and handicrafts based on them
- Identifying potentials of developing the products
- Investigating the market demand for potential goods and services, according to the views of experts.
- Analyzing internal and external demand potentials
- Conducting feasibility study on the most important proposed products

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5- Annexes

Annex (1)

Country Data

Development of selected macro-economic variables during the period (1994-2002)

3.1.1 Year	1994	1995	1996	1997	1998	1999	2000	2001	2002
GDP at factor cost (Current Prices)	177	202.5	227	251	272.5	299.5	327.5	351	354.5
Real GDP growth rate	4.3	4.85	5.51	4.95	5.45	5.7	4.2	3.3	3.2
Inflation Rate	6.4	9.9	8.3	4.8	4.1	2.9	2.5	2.2	2.7
Budget Balance (LE Million)		-2,766	-2,662	-2,574	-5,871	-11,062	-16,591	-21,083	
Unemployment Rate*	9.7	9.4	8.9	9.2	8.9	8.2	7.9	7.6	10.7
Foreign Direct Investment (In US \$ Million)**		1051	783	627	1107	711	1656 ⁽¹⁾	509	428
Trade Balance (In US \$ Million)	-5,952	-8,236	-9,414	-9,302	-13,250	-12,437	-9,291	-8,558	-8,001
Exchange Rate (US Dollar) ⁽²⁾	3.39	3.39	3.4	3.39	3.41	3.41	3.65	4.06	4.65
Domestic Savings ratio***		12.7	11.7	10.7	11.9	11.6	12.2	11.4	
Domestic Investment ratio***		16.6	17.6	21.5	21.5	19.6	18.3	18.1	

Source: Ministry Of Foreign Trades, monthly economic digest

* Central Agency For Public Mobilization and Statistics (CAPMAS).

** Central Bank Of Egypt.

*** Ministry of Foreign Trade, Monthly Economic Digest, Nov 2003.

(1) This figure includes 826 million US\$ which represents the value of selling some cement companies as part of the privatization program.

(2) Liberalization of the exchange rate in Jan 2003 led the US\$ to reach 6.18 L.E. presently.

The Governorates of Egypt

Urban Govs:	Lower Egypt:	Upper Egypt:	Frontier Govs:
Cairo	Damietta	Giza	Red Sea
Alexandria	Dakahlia	Beni Suef	New Valley
Port Said	Sharkia	Fayoum	Matrouh
Suez	Kalyoubia	Menia	North Sinai
	Kafr El-Sheikh	Assiut	South Sinai
	Gharbia	Suhag	
	Menoufia	Qena	
	Behera	Luxor	
	Ismailia	Aswan	

Population Distribution in Egypt

Population in %			Population in millions			Gove. Groups
Rural	Urban	Total of Govs.	Rural	Urban	Total of Govs	
----	18.1	18.1	----	12.2	12.2	Urban Govs.
31.0	12.3	43.3	20.9	8.3	29.2	Lower Egypt
25.4	11.7	37.1	17.1	7.9	25.0	Upper Egypt
0.6	1.0	1.5	0.4	0.6	1.0	Frontier Govs.
57.0	43.1	100	38.4	29	67.4	Total of Egypt

Source: Extracted from UNDP & Institute of National Planning, Egypt Human Development Report, 2004

GDP Index in Egyptian Regions

	GDP Index		Increasing rate %
	1992	2002	
Urban Govs.	0.440	0.707	60.7
Lower Egypt	0.364	0.592	62.6
Upper Egypt	0.270	0.590	118.5
Frontier Govs.	0.327	0.657	100.9
Egypt	0.357	0.607	70.0

Source: Calculated from UNDP & Institute of National Planning, Egypt Human Development Report, 1995, 2004

Poverty measures using lower national poverty line

	1990-1991	1995-1996	1999-2000	2002	Projections for 2015
Urban Govs.	9.8	13.1	5.06	5.72	7.88
Lower Urban	7.07	8.34	6.17	9.81	3.85
Lower Rural	27.14	21.53	11.83	16.57	5.22
Upper Urban	13.47	10.82	19.27	19.19	15.65
Upper Rural	43.46	29.32	34.15	34.87	20.41
Egypt	24.32	19.41	16.74	20.4	10.8

Source: 1990-2000 and 2015 data: UN& Ministry of National Planning, 2004/ 2002 data: UNDP , 2003

Share of the Public and the Private Sectors in Agricultural Investment in %

Year	Governmental	Private
1998/1999	31.8	68.2
1999/2000	36	64
2000/2001	31	69
2002/2003	41	59

Source: Ministry of National Planning, Economic and Social Development Plan 2001, five years plan (2002-2007)

Annex (2)

People consulted

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Annex (3)
Country Workshop report

Workshop on "Productive Strategies for Poor Rural Households to Participate Successfully in Global Economic Processes"

Held in Cairo, on the 27th of April 2006

Assigned by ODI

First: Organizational Aspects:

- Country report was available to participants before the workshop convention in both Arabic and English for language preference.
- Invitation was given to 3 groups of participants:
 - Related issues experts
 - Related governmental and nongovernmental decision makers (Most of which representatives of rural organizations on the governorate and national levels)
 - Similar projects and organizations representatives
- Invitation was directed to the senior level of organizations and institutions
- 35 people participated in the workshop, divided into the three groups
- The workshop proceedings continued from 10:30 a.m. to 5:00 p.m. as follows:

First Session:

- Welcome and opening speeches
- Presenting the study's general framework and background (Jonathan Mitchell)

Second Session:

- Presenting the regional report (John Howell)
- Discussions
- Presenting the country report (Magda Ghonem)
- Discussions

Third Session:

- Presenting the research themes (Jonathan Mitchell)
- Discussions
- Summarizing the results and final remarks (Jonathan Mitchell / John Howell)

Second: Issues and Opinions

Egypt's Affiliation to the Nile Basin Region:

Some of the participants thought of Egypt as not to be included in the regional category of the Nile Basin countries because it has different economic, social, cultural and natural circumstances, thus, it requires an independent analysis.

Developmental Programs' Failure in Improving the Conditions of the Rural Poor and Connecting them to the Markets:

Participants mentioned the following reasons:

- Market failure
- Policy failure
- Political autocracy and corruption representing an unsuitable atmosphere for development
- Destroying or weakening existent institutions without providing alternatives
- Transaction costs increase
- Neglecting micro-level research and work

Small and Micro Credits' Role:

Some of the workshop participants emphasized on the development of such credits and on their importance to poverty eradication. The failure of programs concerned with these credits is not a result to their nature but to the macro framework as there are two conditions for the success of such credits:

- The provision of development friendly macro policies that can employ these credits on the micro level.
- The accurate direction of these credits toward the targeted poor.

Merging Rural Poor in Global Market:

- Necessitating the merging of poor people in local market first.
- Bearing in mind that poor people are net buyers, i.e. they are negatively affected by globalization, through the price-increase of the products they buy, more than being positively affected, through selling their goods.
- Focusing on those programs that have a short-term impact.
- Concentrating on programs starting instantaneously requiring no policies or legislations amendments.
- Noting the existence of a few small and weak groups, who could penetrate the market. These cases should be supported and widely spread.
- Shedding light on the importance of breaking the isolation existing between poor people, society and markets through networking the poor first.
- Noticing the deteriorating exchange rates between cities and villages.

Technology:

- Applying technology in a top-down way without interaction between local communities or development of what they already possess is the main problem of technology transfer.
- Mechanizing agriculture sector as a result to the new generations' reluctance to do agricultural work.
- Mechanization processes are necessary even in small areas.
- Minimizing production and marketing loss through technology.

Small Industries:

- Highlighting small industries' importance as a mechanism to combat poverty and connect poor people with the markets.
- Giving due concern to industries based on local materials.
- Underscoring productive cooperative projects including the production of goods and services.
- Focusing on small enterprises' importance does not contradict big enterprises' importance.
- Extending small industries so that they are not only confined to traditional industries depending on local materials.

Importance of lands:

- Despite of the land's importance to farmers, rural poor are not only farmers, consequently, not all problems can be solved by providing lands.
- The potentiality of providing new lands is limited as a result to the water scarcity and the agriculture economic feasibility loss.
- The agriculture sector cannot absorb the labor force in rural areas now or in the future.

Rural and Urban Areas:

- Deterioration of traditional rural characteristics.
- Residence of some urban people in rural areas (opposite migration).
- Mixing between economic and social circumstances in rural and urban areas.
- Changing the composition of rural households' income.
- Need for new criterions to differentiate between rural and urban areas.

Poverty:

- Understanding the concept of poverty from the human development perspective and not just in what concerns the income.
- Geographizing poverty and specifying its spread between rural and urban areas.
- Modernizing the poverty phenomenon.

Institutions' role:

- Amending laws not suiting the economic liberalization, for example agricultural cooperation law and small enterprises development law.
- Focusing on agricultural and productive cooperatives' role as it is the most adequate organizational form to organize poor producers.
- Requiring unions for expressing the poor politically and socially, as cooperatives are suitable for containing and supporting poor people's economic enterprises but cannot represent their political interests as they are bound to be politically unbiased.
- Connecting between agricultural cooperatives one another and with productive cooperatives.

Research Themes:

Participants faced difficulty in prioritizing required research themes as a result to the numerous themes proposed (regional report list, country report list, workshop list), but the following could be referred to from the discussions:

a) General Recommendations:

- Paying attention to the accumulative and interacting impacts of problems and obstacles facing the participation of the rural poor in the market, as some of the problems are not too important in themselves but when causing other problems.
- Paying due concern to themes directed to specific activities tackling the problem from different aspects.
- Reviewing other activities and projects carried out by other bodies in Egypt targeting directly or indirectly at merging the rural poor in the markets.
- Taking in consideration the researches that have a direct developmental impact, such as those connecting between research works and building local capacities through technical support groups solving the administrative problems.
- Applying action research work through pilot experiments.

b) Research Areas Receiving Semi-Consensus Importance:

- Agricultural cooperatives: developing them and fulfilling their function.
- Rural and urban areas' characteristics after being exposed to rapid economic and social changes.
- Developing rural financial markets.
- Market information systems used by the rural poor
- Rural poor, as producers and consumers, being affected by globalization.
- Diagnosis of rural poverty.
- Agricultural tenure.
- Marketing process.

Suggested Research Themes:

- Current and potential cooperation between small agricultural producers and private sector companies.
- Maintaining the productive technique heritage throughout different generations.
- Reasons for the failure of those foreign aids that were directed to the rural poor.
- Role of small enterprises in combating poverty.
- Role of post harvest centers in improving small farmers' circumstances.
- Redefining rural and urban areas and their geographical distribution and locally identifying poverty in these areas.
- Opportunities for non-traditional small enterprises.
- Economic and social scanning for represented villages (according to human development reports of Egyptian governorates) to specify implicit capabilities and needs.
- Importance and cost of remunerations.

Annex (4)

Country Workshop Participants

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Annex (5)

Potential Research Partners

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