



## Water and Environment Support

in the ENI Southern Neighbourhood region

# WES in Egypt: Consultations with stakeholders

Cairo Water Week 2023

Wednesday 1 November 2023

Hotel Nile Ritz

Ballroom Abdeen

from 09:30 to 13:30

Part A

“Assisting Egypt in developing financial mechanisms for the management of water resources at the farm level”

Consultation Workshop



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# Review of the Agricultural Financing Modalities

Work done between July and September 2021

**1 November 2023, Cairo Water Week 2023, Egypt**

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# The outcomes of this review

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1. Assessment of the existing (public) financing modalities in Egypt and private sector involvement.
2. Insight into the Egyptian Public-Private Partnership framework.
3. Effectiveness of the applied modern methods of on-farm irrigation
4. Recommendations for improvement concerning financing and transactional support

# Egypt faces a range of internal challenges, including



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- Increased crop water requirements
- Population growth
- Reduced water volumes reaching Egypt due to Ethiopia Dam
- Increasing pollution from agriculture, industry, and domestic sanitation

# Existing Government-backed financing mechanism in Egypt

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This economic turbulence has forced the Government of Egypt (GOE) to compensate for the adverse effects by creating several stimulus soft loans and backed financing mechanisms in various sectors

# Existing Government-backed financing mechanism in Egypt



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- In December 2015, the Central Bank of Egypt (CBE) announced its initiative to finance small and medium enterprises, for which 200 billion EGP were allocated, with a decreasing interest rate of 5% to support the tourism and real estate sectors
- The initiative incorporated SMS projects expected to have significant positive effects on the Egyptian economy
- Later agriculture and livestock projects were also added to projects to finance

# Existing Government-backed financing mechanism in Egypt

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The public sector commercial banks now all offer dedicated SME services.

- The largest bank, the National Bank of Egypt (NBE), has established an SME division to provide short-term financing of up to a year and funding medium-term (of five to seven years) at soft terms regarding interest rates and guarantees.

# Existing Government-backed financing mechanism in Egypt

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- Banque Misr offers financing of up to 30 million EGP (\$4.1m) for medium-sized businesses, with similar maturities to NBE, while small businesses can obtain packages of up to 2 million EGP (\$272,600).
- The largest private institution, Commercial International Bank (CIB), serves the SME industry through its business banking unit. As of 2014, it has managed a portfolio of over 4500 retail companies.



# Existing Government-backed financing mechanism in Egypt



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- The other large **private sector banks** are increasingly focusing their efforts on the SME segment:
- QNB Alahi offers specialized advisory services in finance, trade finance, investment, and medium-term credit facilities (up to five years).
- Faisal Islamic Bank's key objective is to increase its SME portfolio.
- Crédit Agricole has operated a dedicated SME division since 2006, and between 2011 and 2014, it increased its SME portfolio by a factor of six to reach EGP 3 billion (\$ 408.9 million).
- National Bank of Kuwait caters to the needs of SME clients through its corporate division, offering facilities to fund areas such as working capital needs and trade finance.

# Existing Government-backed financing mechanism in Egypt



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## Overall investments in the agricultural sector

- The total value of agricultural investments in Egypt, amounted to 17,338 million EGP in 2016/2017, equating to 3.37% of total investments in Egypt. This was distributed into i) government investment 6,038 million EGP (34.8%) and ii) private investment 11,300 million EGP (65.2%).
- The agricultural investments constitute only a small percentage of the overall national investments (less than 5%) at the time.
- Furthermore, the private sector/ individual investment represents most of the agricultural investments.
- the signed protocol between MWRI, MALR, MOF, NBE, ABE to fund the transformation to modern irrigation in old lands includes a total investment of 60 billion EGP.

# Agricultural financing modalities

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- ***Farmers' sources of finance***

Traditionally, most small farmers rely on their own resources to finance their operations. These resources include the support of relatives, friends, and traders who provide farmers with supplies and then collect the repayment once the crops are harvested and sold.

# Agricultural financing modalities



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- ***Banking Community Contribution, Initiatives to Finance Agricultural and Water Resources Projects***

Nonetheless, some farmers do resort to formal financial services. These include banks, of which the Agricultural Bank constitutes the bulk of services, leaving a small percentage to commercial banks.

The average value of credit granted to the agricultural sector by the banking system at current prices amounts to about 22 billion EGP, representing approximately 4.5% of the average total value of bank credit, which amounted to about 505 billion EGP during the period (2001/2000 - 2016/2017).

- The ABE (the Main Bank for Development and Agricultural Credit) provided about 15 billion EGP, representing about 68% of the average total value of credit granted to the agricultural sector from the banking system.

# Agricultural financing modalities



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- ***Investments in on-farm irrigation infrastructure and modernization:***

On-farm modern irrigation is a relatively new practice in Egypt. Traditionally Egyptian farmers used flood irrigation to irrigate their lands. In addition, farmers initiated individual trails whenever they faced water scarcity problems, but these initiatives were scattered in the newly cultivated lands.

# Agricultural financing modalities

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- Initiatives to finance implementation of modern means of irrigation was initiated by the Ministry of Water Resources and Irrigation (MWRI)