



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 03-May-2022 | Report No: PIDA34063



**BASIC INFORMATION**

**A. Basic Project Data**

Country Egypt, Arab Republic of	Project ID P178926	Project Name Emergency Food Security and Resilience Support Project	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 25-Apr-2022	Estimated Board Date 18-May-2022	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Ministry of International Cooperation	Implementing Agency Ministry of Supply and Internal Trade	

Proposed Development Objective(s)

The project development objective is to ensure the short-term supply of wheat for uninterrupted access to bread for vulnerable households and to strengthen Egypt’s resilience to food crises.

Components

- Component 1. Emergency Response Measures
- Component 2. Strengthening Preparedness and Response to Shocks
- Component 3. Project Management and Knowledge Management

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	500.00
<b>Total Financing</b>	500.00
<b>of which IBRD/IDA</b>	500.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**



International Bank for Reconstruction and Development (IBRD)	500.00
Environmental and Social Risk Classification	
Substantial	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- The Ukraine war has triggered major risks to global food and nutrition security, including from a pronounced spike in the prices of key food staples and from skyrocketing prices of fuel and fertilizer.** The latter will likely have broad impacts across commodities and regions over several years. Ukraine and the Russian Federation are major exporters of food (grains, especially wheat, and edible oil), and the Russian Federation and Belarus are also among the largest exporters of fertilizer. Exports from the Russian Federation and Ukraine are limited by logistical and financial restrictions. The sudden halt in exports of these critical commodities adds to the immediate pressures on food and nutrition security, particularly for poorer, import-dependent countries.
- The immediate food security impacts of the Ukraine war are particularly pronounced on countries heavily dependent on Ukrainian and Russian grain imports.** As the largest importer of wheat in the world, the Ukraine war has delivered a major shock to Egypt. Wheat is a key staple food commodity in Egypt. It represents 35-39 percent of per capita caloric consumption on average. Wheat imports account for nearly 62 percent of total wheat use in the country<sup>1</sup>. Egypt imports approximately 85 percent of its wheat from the Russian Federation (60-66 percent depending on years) and from Ukraine (20-25 percent depending on years) combined.<sup>2</sup> Before the Ukraine war, Egypt's wheat imports in the 2021/2022 marketing year were estimated at 12 million metric tons. The latest United States Department for Agriculture (USDA) forecast (March 28, 2022) suggests that Egypt's imports in 2022 will be down by 8.3 percent i.e., by around 1 million metric ton, which is more than one-month of the consumption under the Egyptian Bread Subsidy Program.<sup>3</sup>
- The effect of the Ukraine war on global wheat prices has increased Egypt's food import bill.** Global food prices have been rising since 2020 due to supply chain disruptions caused by the COVID-19 pandemic. In particular, wheat prices averaged US\$ 280 per metric ton during the first five months of 2021 and reached US\$ 317 per metric ton by November 2021. They were as high as around US\$ 500 per metric ton in February-April 2022.

<sup>1</sup> <https://www.ifpri.org/blog/russia-ukraine-crisis-poses-serious-food-security-threat-egypt>

<sup>2</sup> ITC Trade Map

<sup>3</sup> See Annex 2 for the description of the Egyptian Bread Subsidy Program.



4. **The Ukraine war-induced food crisis comes at a time when Egypt's growth has just started rebounding, due to eased restrictions to global economic activity.** The COVID-19 pandemic caused a decline in economic activity, especially in Egypt's key export-oriented sectors, with overall real GDP growth decreasing to 3.3 percent in fiscal year 2020/21 from 3.6 percent during fiscal year 2019/2020, below the pre-pandemic averages of 5 percent in the period of 2016-2019. In July-December 2021, growth had surged to 9 percent, compared to a modest rate of 1.4 percent a year earlier. The resumption of international travel and trade, global pent-up demand and favorable base effects allowed for strong rebounds in the export-oriented sectors, such as tourism, the Suez Canal, non-oil manufacturing, and gas extractives, though these remained at lower levels than prior to the COVID-19 pandemic.<sup>4</sup>

5. **Rising food and fuel prices are resulting in inflationary pressures and increased fiscal burden.** Domestic prices were gradually rising, and inflation spiked to 8.8 percent in February 2022 and 10.5 percent in March 2022 (well above its 6 percent average since the beginning of fiscal year 2021/2022), reflecting early repercussions of the war in Ukraine.<sup>5</sup> Thus, the recent increase in inflation poses further pressures on real incomes which were already adversely affected by the income losses reported during the COVID-19 pandemic, notably among women and informal workers.<sup>6</sup> The impact of the Ukraine war on food security is expected to be felt immediately in the form of increased costs of bread, other imported grain (both for human consumption and as feed for livestock production), fuel and fertilizers (affecting domestic agricultural production).

6. **To mitigate the impact of the crisis on the Egyptian economy, the Government of Egypt (GOE) has announced a set of macroeconomic and structural policy measures.** On March 21, 2022, the Central Bank of Egypt (CBE) allowed greater flexibility in the exchange rate, which led to an overnight depreciation vis-à-vis the US dollar by around 16 percent to stem the widening net exports deficit and raised policy rates by 100 basis points to curb inflation. Simultaneously, the government announced a social mitigation package worth EGP 130 billion (1.6 percent of FY2022/23 GDP) to partially alleviate the impact of the associated rise in prices. This was translated in the form of increased public sector wages and pensions, tax measures, adding (in April 2022) 450,000 new households to the cash transfer programs (Takaful and Karama) and introducing reforms to the Bread Subsidy Program by (a) modernizing wheat storage facilities (through upgrade and expansion of silos, upgrade of wheat storage management and information system) and (b) improving the targeting of the ration card by introducing new exclusion criteria based on thresholds related to income, taxes, social insurance, private schools fees, mobile bill, electricity consumption along with other factors. In doing so, the GOE measures supported the promotion of better targeting and efficiency of the program and contributed to building the resilience of households against shocks, whilst promoting food security.

7. **To complement the GOE's crisis mitigation efforts, more needs to be done to support consumers, vulnerable households and agricultural producers.** Government's response in expanding social safety nets needs to be complemented by measures to address supply chains disruptions and to improve the efficiency of the wheat value chain, on the supply side. Besides responding to the immediate crisis, it is important to focus on agri-food system competitiveness, inclusiveness, and sustainability to ensure long term food and nutrition security. This will require extending support to farmers and producers to respond to increasing costs of production. Finally, any potential trade restriction should be avoided.

<sup>4</sup> <https://www.worldbank.org/en/country/egypt/overview#1>

<sup>5</sup> "Financial Sector Development and Stability Policy Loan". World Bank Group. 2022

<sup>6</sup> World Bank, Egypt Economic Monitor, 2021



## Sectoral and Institutional Context

8. **According to the Global Food Security Index, Egypt ranks 62<sup>nd</sup> out of 113 countries worldwide, and despite the GOE’s implementation of pro-poor policies food insecurity persists.** There are several factors that affect food security in Egypt, namely (i) food accessibility and affordability for low-income households; (ii) climate change and its direct implications on both the food supply chain and agricultural productivity; and (iii) high levels of food loss and waste. To address those issues, a set of measures need to be taken to increase food availability and affordability, reduce losses and build productive capacity and resilience of small-scale farmers.

9. **The Food Subsidy System (FSS) is the GOE’s largest social assistance programs. According to the Central Agency for Public Mobilization and Statistics (CAPMAS) 88.5 percent of Egyptian families benefit from the FSS.** A total of EGP 84.5 billion has been allocated to subsidies for food and bread in the fiscal year (FY) 2020/21 budget. This comes alongside EGP 36.5 billion to support ration card goods for the 63.5 million beneficiaries, covering EGP 50 per month for each of the four individuals registered on the card, and EGP 25 per person per month if more than four individuals are registered on the card.

10. **The Food Subsidy System benefits a large share of the population.** Through the program, the Bread Subsidy Program reaches 72 million individuals and ration cards cover 64.4 million individuals. The share of the population receiving ration cards and bread subsidies seems to have declined from 88 percent and 74 percent of households in the top two deciles in 2017/2018 to 76 percent and 60 percent 2019/2020, respectively. This indicates that the richer household deciles are benefiting less from the program, yet a majority still has access to it. The beneficiary incidence of the program is approximately 10 percent for each decile of the population and is only slightly reduced amongst the top two wealthiest household deciles.<sup>7</sup>

11. **The Bread Subsidy Program requires about 9 million tons of wheat annually—about half of the total wheat consumption in Egypt and three quarters of Egypt’s wheat imports.** This wheat is milled to produce “82 percent” extraction flour. The GOE has been spending about US\$ 3 billion annually for wheat imports. The current supply chain disruptions and resulting price increase could nearly double that amount to US\$ 5.7 billion potentially disrupting Egypt’s Bread Subsidy Program.<sup>8</sup>

12. **A concerted effort is required to increase the efficiency of the wheat value chain.** Actions are needed to increase productivity and resilience and reduce loss and waste through investments in post-harvest handling and storage. Open air storage facilities (*shona*) for example do not provide protection from birds, rodents, weather changes, and insect infestation. Extreme temperatures and increases in atmospheric humidity due to climate change increase the risk of insect infestation, a source of wheat loss and health risks. Safe wheat storage is considered a measure to adapt to climate change and contributes to food security, particularly in the context of the expected drop in domestic wheat production as a result of climate change.

13. **In 2015, the National Project of Silos was established.** The project operates within the framework of the Government of Egypt’s plans to secure the needed stock of wheat through building new modern and digitally operated silos with a storage capacity reaching nearly 1.5 million tons distributed over 17

<sup>7</sup> “Public Expenditure Review for the Human Development Sectors”. 2022, (forthcoming). World Bank Group.

<sup>8</sup> “Public Expenditure Review for the Human Development Sectors”. 2022, (forthcoming). World Bank Group.



governorates. The Egyptian Holding Company for Silos and Storage (EHCSS) – the state-owned operator of silos - operates 44 silos with capacity ranging from 10,000 to 60,000 tons, with a total of 3.3 million tons. There are also smaller publicly owned and private operators, who operate under 1 million tons of storage. Annex 2 includes a detailed description of the wheat value chain.

14. **Despite the investments made in developing modern silos, there is still scope for further development.** Continuing to tackle wheat loss/waste and to accommodate future increases in the quantity of local and imported wheat, requires additional investments in the construction of new silos and upgrading existing ones. This is a pressing investment need considering the expected gains in efficiency along the value chain, the role of buffer stocks in market stabilization in times of high grain prices and the role that those stocks play in the continued production of the Baladi bread which is critical for food security.

15. **Equally important measures include strengthening the productivity and resilience of Egypt's agri-food sector, through further investments in innovation, research and development and modernized extension services.** This is equally pressing given the effects of climate change on the Egyptian agri-food sector. Climate change exacerbates the impacts of economic shocks, including the current crisis. Data from the partial equilibrium Agricultural Sector Model of Egypt and climate change data from Egypt's second national communication to the Intergovernmental Panel on Climate Change (IPCC), show that climate change will cause a 6 percent reduction in agri-food production and a 19 percent increase in prices by 2050.<sup>9</sup> This was supported by a recent study by IFPRI<sup>10</sup> which projected a 10 percent decline in food crop yields in Egypt and 19-23 percent increases in prices by 2050. Enhancing the adaptation of smallholder farmers to the impacts of climate change is a short-term priority. For example, the Delta stands to lose up to 30 percent of its food production by 2030 as a result of climate change, including reduced crop productivity, increased crop-water demand and reduced water use efficiency, increase in pest and disease infestations, in addition to the negative effects of salinity.<sup>11</sup>

16. **While Egypt has high levels of water, land and labor productivity in agriculture compared with regional and global averages, the yields of major crops in Egypt have stopped growing.** Negative growth suggests that in addition to insufficient agricultural research and extension services, the fragile agricultural resource base is under pressure— including water and land resources, from both climate change and increased population growth. The project would support the development of resilient and adapted crop varieties and increasing the dissemination, technology transfer and adoption of climate smart agricultural practices, through increased extension service provision.

### C. Proposed Development Objective(s)

#### Development Objective(s) (From PAD)

The project development objective is to ensure the short-term supply of wheat for uninterrupted access

<sup>9</sup> McCarl, Bruce A., et al. "Climate change vulnerability and adaptation strategies in Egypt's agricultural sector." *Mitigation and adaptation strategies for global change* 20.7 (2015): 1097-1109.

<sup>10</sup> Perez, Nicostrato D.; Kassim, Yumna; Ringler, Claudia; Thomas, Timothy S.; and ElDidi, Hagar. 2021. Climate change and Egypt's agriculture. MENA Policy Note 17. Washington, DC: International Food Policy Research Institute (IFPRI). <https://doi.org/10.2499/p15738coll2.134318>

<sup>11</sup> Concept Note: *Enhancing the Agricultural Production for Adaptation to Climate Change Throughout Tolerant and Short-duration Crop Varieties* Ministry of Agriculture and Land Reclamation. 2022



to bread for vulnerable households and to strengthen Egypt's resilience to food crises.

#### PDO Level Indicators

17. The PDO-Level Results Indicators are the following:
  - a. *Cumulative amount of wheat procured through the project for the Bread Subsidy Program.* This indicator measures the immediate impact of the project and ensures that the project interventions serve the purpose of replenishing wheat stocks for uninterrupted access to bread by vulnerable households. This indicator contributes to the objective of accessibility of staple bread with particular focus on vulnerable households.
  - b. *Additional improved storage capacity available for the Bread Subsidy Program.* This will be measured as the additional improved storage capacity constructed or expanded through project interventions. This indicator contributes to the medium- to long-term resilience aspect of the PDO and measures the country's resilience to food crises.
  - c. *Percent of grain losses in storage in silos constructed/expanded under the project.* This indicator measures the waste/loss reduction potential of project investments in silos.
  - d. *Farmers adopting improved technologies (of which, female).* This indicator will measure the adoption of climate smart agricultural practices by farmer beneficiaries (disaggregated by gender).

#### D. Project Description

18. The project would consist of three components providing a balance between short-term response and medium-term resilience to food crises.
19. **Component 1. Emergency Response Measures (US\$ 380 million).** The objective of this component is to address the shortfall in imports of wheat, to minimize the disruptions in the Bread Subsidy Program. The component will finance the public procurement of up to 700,000 metric tons of imported wheat (the final quantity will depend on the market price at the time of procurement) through a procurement process acceptable to the Bank, to be conducted by the General Authority for Supply Commodities (GASC) of the Ministry of Supply and Internal Trade (MOSIT). This short-term emergency wheat supply, made available through the project, will contribute to replenishing the country's strategic reserves.
20. **Component 2. Strengthening Preparedness and Response to Shocks (US\$ 117.5 million).** This component aims to reduce wheat losses, improve domestic cereal production, and strengthen farm-level resilience and preparedness to shocks. This would be achieved by (a) increasing the storage capacity for wheat in modern silos (Sub-component 2.1); and (b) financing the research, development and dissemination of high yielding adapted wheat varieties, piloting climate smart extension services in lagging regions and upscaling the national Agro-Meteorological early warning system (Sub-component 2.2).
21. **Component 3. Project Management and Knowledge Management (US\$ 2.5 million).** This component will support project management activities and knowledge management activities envisaged under the project. With regards to project management activities, this component will support financial



management (including audit), procurement, monitoring and evaluation and ESF compliance (including a citizen engagement mechanism and a strengthened Grievance Redress Mechanism (GRM) for better risk management). Additionally, this component will facilitate dialogue on food security policies and reforms and cross-border collaboration around regional risk management tools for strategic agricultural commodities.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

**E. Implementation**

Institutional and Implementation Arrangements

22. **The project will be implemented by the Ministry of Supply and Internal Trade (MOSIT).** MOSIT will house the Project Management Unit (PMU) staffed with relevant experts. GASC, as an agency under MOSIT, will be responsible for the procurement of wheat under Component 1. Implementation of Component 2.1 investments related to construction of new and expansion of existing silos will be the responsibility of the Egyptian Holding Company of Silos and Storage (EHCSS). EHCSS manages all public grain storage in Egypt, including receiving and storage of imported and local wheat.

23. **Implementation arrangements would include a Project Management Unit (PMU), which would be housed in MOSIT.** The PMU will be responsible for preparation and supervision of the implementation of the environmental and social commitment plan (ESCP) for the whole project; procurement and financial management for components 2.2 and 3; project reports and implementation of monitoring and evaluation for the whole project, updating and maintaining the results framework; the preparation and updating of the Project Operations Manual. The PMU will be funded through MOSIT’s general operational budget, and through Component 3 as may be required for external consultants or experts. The PMU will be established within two months of effectiveness.

24. **A Project Coordination Council (PCC) which is an advisory and coordination body will be established within three months of project effectiveness** with membership and terms of reference acceptable to the Bank. The PCC will be chaired by the Minister of Supply and Internal Trade and will include inter alia representatives from the MOIC, MOF, MALR, GASC, EHCSS.





**CONTACT POINT**

**World Bank**

Artavazd Hakobyan  
Senior Agriculture Economist

Hanane Ahmed  
Senior Agriculture Economist

**Borrower/Client/Recipient**

Ministry of International Cooperation  
Mohamed A. Gawad Allam  
Minister Plenipotentiary (Commercial)  
mgawad@moic.gov.eg

**Implementing Agencies**

Ministry of Supply and Internal Trade  
Ahmed Youssef Mansour  
Vice Chairman  
ayoussef@msit.gov.eg

**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Artavazd Hakobyan Hanane Ahmed
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**Approved By**

Practice Manager/Manager:		
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Country Director:	Janette Uhlmann	03-May-2022
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