Conditional Incentives as a Basis for Rural Development in Egypt

Gideon Kruseman, LEI Wageningen UR

Available at: https://works.bepress.com/gideon_kruseman/7/
Conditional Incentives as a Basis for Rural Development in Egypt

Introduction
The current global food crisis with its repercussions on both the urban and rural sectors has put into perspective the urgent need to act. At the world food summit held recently in Rome the need to promote agriculture and rural development was strongly emphasized in line with the 2008 World Bank Report. In 2007 a study on rural areas in Egypt with a vision towards 2025 already indicated that in order to address the issues of urban encroachment, environmental deterioration, economic and social viability of livelihoods in the rural areas of the old lands in Egypt, innovative measures are needed.

Following the recommendations of the study, task force with key policy makers and politicians studied the issue and commissioned a concept paper regarding conditional incentive based rural development (CIBRD), which was endorsed by 14 Ministries with a relation to rural development during a Round Table Meeting in March 2008. The Round Table recommended the development of a pilot plan to test conditional incentive based approaches to be presented in the Second Annual Conference “Developing Policy Towards Dynamic Rural Areas in Egypt” held on June 16th 2008, focusing on four important components: agricultural competitiveness, environment and countryside, economic diversification and quality of rural life and local institutional capacity (see figure 1).

Conditional Incentives
Current agricultural practices and livelihood strategies as well as private sector investments lead to negative externalities with high costs to society both now and in the future. In order to address those problems activities need to be undertaken and behavioral changes are required from all stakeholders. The activities and related stakeholders can be divided into the public and the private domain. Public sector and NGOs make investments in human and physical infrastructure and provide services that are generally in line with policy objectives. Private sector and farmers engage in activities, allocate resources, display behavior and make investments that are in line with their own goals and aspirations, which are not necessarily in line with policy objectives.

In order to diminish negative externalities private sector and farmers have to be induced to align their goals and aspirations with policy objectives. This can be done by lowering existing barriers to development through support investment in social and physical infrastructure, through training, education, extension and awareness, and through financial mediation. The most important step, however, is the introduction of positive incentives to target groups conditional on compliance with rules and regulations, adherence to certain policy objective indicators and compliance with generation of specified positive externalities (see figure 2). These conditional incentives are defined within WTO regulations and the national budget. These conditional incentives can include: grants, soft loans, direct cash transfers, fiscal instruments, tradable rights, and payment for environmental services.

Conference outcomes
The principle outcome of the conference was the firm commitment of the Egyptian administration through the speech made on behalf of His Excellency Dr. Amin Abaza, Minister of Agriculture and Land Reclamation and the political commitment by the ruling National democratic Party in a speech made by Dr. Salwa Bayoumi, Chairperson of the Committee for Agricultural Policy, clearly stating that targeted conditional incentives are the key element of new agricultural and rural policies directed at the three pillars of rural development with the specific aim of diminishing current inefficient consumer subsidies and promoting agricultural production and productivity in a bid to redress the consequences of the current global food crisis. The two main potentials that CIBRD offers are uplifting living standards in rural areas in an
environmentally sustainable way and reallocating existing subsidies to be more efficient and more effective.

**Next steps**

The firm commitment of the Egyptian administration leads to the following necessary and important first steps to be taken.

1. Mobilizing resources to start investment in the capacity to administer, monitor and control the forthcoming conditional incentive approaches.
2. Develop the necessary arrangement for mobilizing and disbursing of public funds for conditional incentive approaches.
3. Mobilize support from international and national partners in development for technical assistance in building the necessary institutional arrangements and organizational capacity to embark on the road of Conditional Incentive Based Rural Development.
4. Mobilizing public support at grass roots level for the initiative through awareness and communication.
5. Mobilize support from international and national partners in development to set up pilots for testing the conditional incentive based approaches.
6. Mobilize support from the private sector to test conditional incentive based approaches.

**References**


MoALR (2008) Concept paper for implementation of the National Pilot Program on Conditional Incentive-Based Rural Development: Request for technical support. Cairo


**Information:**

http://www.boci.wur.nl/UK/Research+themes/Bilateral+projects/Dynamic+rural+area+in+Egypt/

**Acknowledgement**

The research leading to the current status was made possible through a grant within the Research Program International Cooperation and International Agreements of the Dutch Ministry of Agriculture, Nature and Food Quality.