



Development Associates, Inc.



HORTICULTURAL EXPORT IMPROVEMENT ASSOCIATION (HEIA) FINAL EVALUATION

Submitted to:

**USAID/Egypt
Strategic Objective 16
Environment for Trade and Investment Strengthened**

Under:

**MOBIS Contract No. GS-10F-0185K
Task Order No. 263-M-00-03-00006-00**

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**Final
January 31, 2005**

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LIST OF ACRONYMS

ACC	Agricultural Commodity Council
ARC	Agricultural Research Center (MALR)
AERI	Agricultural Exports and Rural Incomes
ALEB	Agriculture Led Export Businesses
APRP	Agricultural Policy Reform Program
ASAP	As Soon As Possible
ATUT	Agricultural Technology Utilization and Transfer
BRC	British Retail Consortium
CAPMAS	Central Agency for Public Mobilization and Statistics
CD	Compact Disc
CSR	Client Satisfaction Review
DT2	Development Training 2
EAGA	Egyptian Agribusiness Association
ECCA	Egyptian Cold Chain Association
ED	Executive Director
EL SHAMS	Enhanced Livelihood from Smallholder Horticultural Activities Managed Sustainability
EPF	Export Promotion Fund (MOFT)
ESAS	Egyptian Seed Association
EU	European Union
EUREPGAP	Euro Retailer Produce Group's Good Agricultural Practices
GAP	Good Agricultural Practices
GTG	Growth through Globalization
GTZ	Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HEIA	Horticultural Export Improvement Association
HRI	Horticultural Research Institute
MALR	Ministry of Agriculture and Land Reclamation
MCU	Management Consultancy Unit
MOFT	Ministry of Forging Trade
MOISA	Ministry of Insurance and Social Affairs
MOU	Memorandum of Understanding
MUCIA	Midwest Universities Consortium for International Activities
NRC	National Research Center
RRSA	Results Reporting Support Activity
START	Strategic Technical Assistance for Results with Training
TD	Training Department
UPECH	Union of Producers and Exporters of Horticultural Crops
USA	United States of America
USAID	United States Agency for International Development
WTO	World Trade Organization

This publication was made possible through support provided by the U.S. Agency for International Development, under the terms of MOBIS Contract No. GS-10F-0185K. The opinions expressed herein are those of the authors and do not necessarily reflect the views of the U.S. Agency for International Development.

EVALUATION TEAM

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Dr. Fitch is an economist with over 25 years of experience in teaching, research, and business management consulting. He specializes in agriculture, related food industries, and natural resources. As a member of the faculty of Oregon State University, he taught both graduate and undergraduate students while conducting research on agriculture and rural development. Subsequently, he was employed by the Ford Foundation as a project specialist with responsibilities for directing research on agricultural production and agricultural policy in Egypt. He continues to be a consultant to international organizations and governments in developing countries. Since 1980, Dr. Fitch has also been actively engaged in the management of a firm of agricultural consultants while providing consulting services to Pacific Northwest farmers and agricultural businesses.

William Thomas, Organizational and Human Resources Development Specialist

Mr. Thomas, a human resource consultant, has 20 years' experience in organization development consulting, assisting organizations in identifying issues and problems and in developing realistic goals and workable strategies to achieve the goals. His main focus has been "people problems," increased interpersonal skills, and quality issues. Mr. Thomas has 28 years experience in training/instruction/facilitation related to training in management improvement and supervisory skills. Mr. Thomas also has 20 years' experience in designing the content and managing the administrative aspects of various training programs and conferences. Mr. Thomas has undertaken training facilitations with a number of USAID Missions, including Tanzania, Zimbabwe, Philippines, Bangladesh, Egypt, Malawi, and Zambia. He has also conducted the Management Skills Course for USAID in Honduras, Hungary, Kenya, and in the U.S.

Mohammad Zaki Gomaa, Agribusiness and Trade Association Specialist

Dr. Gomaa has a wide range of experience in small and medium enterprises, trade associations, and trade organization development and management. He has worked with private, non-profit, and international organizations such as the Ford Foundation, the United Nations, the World Bank, USAID, and GTZ. He has extensive experience in agribusiness, institutional development, management, technology transfer, policy development and advocacy. Dr. Gomaa participated in establishing and developing many trade and business associations, and was a CEO for several agribusiness associations. Dr. Gomaa also has extensive experience in horticultural marketing and exporting (under both public and private sector conditions), and was a managing director for three agribusiness firms both in Egypt and abroad.

Mostafa Hamada, Training and Systems Management Specialist

Dr. Hamada has over 30 years of experience in designing, planning and managing training programs; conducting research; and evaluating programs. He has managed and evaluated several in-country and overseas training programs in different fields for Egyptian participants from different ministries and organizations including the Ministries of Finance, Health, Justice, Agriculture, and Telecommunications. Dr. Hamada has recently carried out two evaluations: an evaluation of the Canadian International Development Agency (CIDA) project for the Small and Medium Business Support project; and an evaluation of the Agricultural sector in Egypt for USAID/Egypt.

Iman El Toukhy, Research Associate

Ms. El Toukhy has thirteen years of experience in the fields of socioeconomic and marketing surveys, human resources management (training, recruitment, salary surveys, performance, monitoring & evaluation), and information systems. Her work in the Economic Growth Results Reporting Support Activity (RRSA) involves preparing and carrying out economic studies, cooperating with the project's partners to meet the performance benchmarks, and collecting and analyzing data needed for economic studies.

EXECUTIVE SUMMARY

HEIA's Achievements and Impacts:

During the past five years HEIA has made significant accomplishments in expanding its membership, in staff development, in technical support, training and other services provided to its members. It also succeeded in establishing the Refrigerated Perishables Terminal (RPT) at the Cairo Airport. The combination of all of these factors has contributed to the significant expansion of Egypt's horticultural exports.

HEIA expanded its membership by 76 percent between 2002 and 2004 and now has about 380 members. Most of the growth has been in the *associate* member category. Associates pay lower membership fees and have not had access to HEIA's full range of services.

A large number of seminars and workshops provided training on technical production and post harvest handling practices over the past five years. Training to attain compliance with international standards, particularly EUREPGAP and BRC, has been an important part of the training program. HEIA's system of arranging technical assistance visits by international horticultural specialists is widely credited for enabling members to implement the production and post harvest practices that are required for export. Members report that participation in observational study tours organized through HEIA was a very valuable source of learning and technology transfer.

Based on the evaluation team's analysis we believe that HEIA played an important role in expanding the export of the noted crops. A significant number of members we interviewed indicated that they would not have been able to venture into horticulture for export without HEIA. Some said they would not be able to continue without the services provided by the association.

Organizational Structure of HEIA and Coordination of Services:

Our analysis shows that HEIA faces some significant organizational challenges. There have been numerous conflicts between the board, the executive directors and the staff, many of which can be attributed to the board's tendency to micromanage the staff.

There are problems with inefficiency in the organization that are at least partly attributable to overlapping in the functions and responsibilities of different departments. Because there has been no effective monitoring and evaluation or internal auditing unit, it is difficult to assess whether HEIA management have been good stewards of the various donor funds or not.

Recommendations:

- Hire a full-time Executive Director ASAP. Clarify in writing the differentiation of his/her roles from that of the Board.
- It is advisable to have more Board members participate in board training. One product of the training would be a workable executive policy that all will commit to. This policy should focus on the Board's role in formulating vision and strategy, with day-to-day operations left to the Executive Director.
- Review the core business processes such as consultant visits from a process improvement point of view.
- HEIA should develop explicit responsibilities and more efficient procedures for monitoring and evaluation as well as internal auditing.
- HEIA should identify additional ways of informing firms of the HEIA advocacy efforts and providing venues and opportunity for member involvement in the advocacy process.

Financial Sustainability of HEIA and its Services:

HEIA does not have a well developed cost accounting system, and its financial accounts do not permit an analysis of all of the individual services. Nevertheless, our analysis indicates that the revenues of most services fall far short of covering full direct costs and that overall, HEIA's service revenues provide only some 25 – 30 percent of the direct costs of providing the service.

When the Team asked groups of members, what would be their reaction if HEIA is obliged to increase the current prices of its services by 100 percent, they felt disappointed and said that the demand for most services would decrease, particularly what is demanded by smaller growers. Others indicated that without services they could afford, they would be inclined to drop their membership.

HEIA's staff has developed a draft budget to explore how the association will operate without grants to support it. According to the budget, most of the key service departments are expected to generate the revenues to cover their direct costs. The Team believes that HEIA still needs to do considerable additional work to devise a more realistic budget.

Recommendations:

- HEIA must go through each service that it offers to analyze existing and potential user demand, the prices that users would be able to pay, and HEIA's cost of providing the service. Also consider how costs might be reduced by re-structuring the way that services are offered.
- In its analysis of alternatives, HEIA must give broader attention to membership expansion, especially among smallholders. This should include an evaluation of restructuring membership fees, perhaps through use of a sliding scale.
- A full range of cost reduction alternatives must be considered. This will include restructuring services so that they may be offered at a lower cost and eliminating services that cannot be re-organized to cover their costs.
- Decisions on HEIA's proposed Luxor Terminal and other handling facilities in Middle and Upper Egypt remain to be considered by the association. The final decision on the

Luxor Terminal should wait until it can be said that the Cairo Terminal has proven its financial viability.

Potential Loss of Valuable Services:

To the team, it appears unlikely that HEIA will be able to provide some of the services that have proven to be very valuable, if their full direct costs are to be covered with user fees. Services in this category include foreign expert visits and overseas observational travel. It will also be difficult for many HEIA members to afford the cost of its own field consultants.

There appear to be ample grounds for some form of continued USAID support to HEIA, and it appears to the Team that funds for such support already exist in the partner activities of AERI. The Chemonics activity, for example, is designed to provide grants to associations.

Recommendations:

- To continue these activities, the association should consider obtaining support from partner activities within the USAID AERI project, particularly in the areas of foreign expert visits, overseas observational travel, and continued staff development.

Activities in Middle and Upper Egypt:

HEIA aims to expand its membership and services to Middle and Upper Egypt, and the association has already opened an office in Luxor. Experience with this office has demonstrated that it will be expensive for the association to expand and operate in the area. Some form of grant support for the further development of the Luxor office, including staff training, service development planning, and of services for smallholders in that area would seem to be necessary if HEIA is to operate effectively in the area.

Many of the activities under AERI focus on smallholders in Middle and Upper Egypt. The EL SHAMS project has interest in HEIA's technical experts and training capabilities and has already contracted for some services.

To effectively meet the needs of AERI clients and other smallholders in the area, HEIA's services will have to be restructured to deal more with groups, and to overcome the logistic problems posed by farmers who may be illiterate or have limited access to transportation. Even in a restructured form, it is unlikely that many smallholders would be able to bear the full cost of HEIA's current services.

Recommendations:

- As a means of giving smallholders access to HEIA services, consider having EL SHAMS provide its clients vouchers which could be redeemed for participation in HEIA training or from other providers that may provide suitable training. The clients should be required to pay a part of the cost of the voucher, and this would increase with time.
- Decisions on HEIA's proposed Luxor Terminal and other handling facilities in Middle and Upper Egypt remain to be considered by the association. The final decision on the Luxor Terminal should wait until it can be said that the Cairo Terminal has proven its financial viability.

Refrigerated Perishables Terminal (RPT):

The RPT already has proven to be a valuable link in exporting perishables by air. Furthermore, the terminal appears to have the potential of generating surplus revenues that might help cover deficits in other HEIA activities. However, the near term financial viability of the terminal is subject to certain doubts.

Analysis of the future viability of this project is complicated. Initially an Export Promotion Fund (EPF) subsidy of LE 160 per ton has been received for shipments made through the terminal, and thus the users have paid only LE 85 per ton or about 35 percent of the fee. When the export subsidy is eliminated, horticultural exporters will face paying the full user fee, which may cause a reduction in use of the terminal.

Our analysis suggests that HEIA may face some problems with deficits in the RPT when the Export Promotion subsidy ends, and that these problems will be more or less severe, depending on user reactions to higher prices, how soon the subsidy is actually discontinued, and how HEIA manages the situation.

Recommendation:

- It is recommended that HEIA immediately undertake a more detailed analysis of the financial viability of the Perishables Terminal. This analysis should include assessment of how much longer the export subsidy is likely to continue and a detailed evaluation of the likely user reaction to a dramatic increase in fees.

PREFACE

Background:

USAID's global agricultural strategy of linking producers to markets is the core behind the competitiveness and agricultural development program in Egypt. The HEIA grant of \$4.6 million was part of the larger "Growth Through Globalization" program that began in 1996 by investing \$123 million in agriculture related projects. This program has operated for the past eight years in developing partnerships among the growers, researchers, exporters, and business associations.

Today, USAID's Egyptian strategy has shifted its focus to Upper Egypt in an effort to include smaller farmer associations within the overall benefits of exporting higher value horticultural products. The role of private grower associations that are supported by the export promotion policies of the government is central in USAID's strategy.

Objectives of the Study:

The evaluation is to assess the overall sustainability of HEIA as a not for profit private industry institution. This will be done from an organizational, programmatic and financial perspective.

The evaluator will assess, analyze, and report all of HEIA's previous, current, and future activities and services, effectiveness, business strategy, performance, viability of the activities and services provided, and recommend directions of any alignment required and/or any new proposed initiatives.

This evaluation will also enable HEIA to fine-tune its current strategy, give directions toward sustainability, and provide guidance for new activities.

The evaluation will also enable USAID to evaluate possible options and mechanisms that could support HEIA in its effort to achieve sustainable industry leadership.

This evaluation will give recommendations on how HEIA could expand its policy dialogue.

The USAID Statement of Work (Appendix III) specifies that the study focus on three major tasks as follows:

- Task 1.** Achievement of targets and objectives stipulated in the grant and its amendments, and of overall impacts on the horticulture industry.
- Task 2.** Evaluation of HEIA current organizational structure and capacity.
- Task 3.** Analysis of financial sustainability of HEIA services to its members, financial viability, and implications for sustainability.

The wording used for Task 3 above is the revised version that was agreed to in the Evaluation team's second working meeting with cognizant USAID Cairo staff.

Methods Followed:

As agreed in the plan of work (Appendix IV), the study was based on information obtained through interviews and meetings with organizations and people from three groups:

- **Those associated with HEIA itself**, including association members and Crop Councils, the Board of Directors, former board members, the Acting Executive Director, former executive directors, and key staff members.
- **Partner organizations**, including the Trade Association and Small Farmer Support (Chemonics) component and the El-SHAMS (CARE) project under Agriculture and Rural Incomes (AERI) project; the Agriculture Lead Agribusiness (ALEB) project under Growth Through Globalization; and the Development Training II project.
- **Stakeholder** entities such as the Union of exporters (UPEC), the Ministry of Trade, and the Ministry of Agriculture and Land Reclamation. Contacts in the latter included the Horticulture Research Institute.

A list of interviews conducted and persons met is provided as Appendix II.

Other information for the study was obtained from quarterly reports of HEIA, from other HEIA documents and monitoring reports, from data reported in the 2003 and 2004 Client Satisfaction Reviews conducted by RRSA, and from Egyptian export statistics. Many documents were also obtained from HEIA partner organizations. The complete list of references used by the Team is provided as Appendix I.

The study was carried out during the four-week period of September 20th to October 14th. A calendar of events is provided in the attached Schedule of Work.

The first two weeks of the study were devoted primarily to meetings with various HEIA components, as well as with the Partners and Stakeholders identified above. Required documents, publications and statistics were obtained during weeks 1 and 2, and analyzed during weeks 2 and 3.

A first draft report was submitted to USAID at the end of week 3, and the team presented highlights of its final draft in a debriefing at USAID on October 14, at the end of week 4. A debriefing and presentation of key findings and recommendations was held in HEIA offices for the Board of Directors and key staff on October 18.

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1. Overview of HEIA and its Activities:

In 1996, 25 Egyptian horticultural exporters recognized the need for a forum to share information on technology for their horticultural operations, equipment, and packaging. This need, prompted by their participation in the USAID-sponsored Agricultural Technologies Utilization and Transfer (ATUT) project, resulted in their forming the Horticultural Export Improvement Association, HEIA, which is a not-for-profit association under the rules of the Ministry of Insurance and Social Affairs.

HEIA aims at gaining access to modern production technology, state-of-the-art post harvest practices, and providing access to market information to achieve its quality and export goals. To achieve these aims, HEIA provides technical consultants, training, quality certification, observational trips (local and abroad), information, participation in trade exhibitions, business networking, and advocacy.

HEIA initially focused on table grapes, strawberries, melons, mangoes, and green beans. Most of these were originally identified by ATUT as being high-value, non-traditional export crops with good market growth potential. In addition to these, the association now has added Crop Councils for cut flowers, nursery plants, and organic crops. The Food Processing Council, which was formed earlier, had not been active but has recently been revitalized.

After years of hard advocacy work to obtain enabling regulations, in July 2003 HEIA succeeded in establishing the Perishables Terminal at the Cairo Airport. This fills a missing link in the cold chain for perishable exports via air. The terminal has now been in operation for about a year. According to Central Agency for Public Mobilization and Statistics (CAPMAS), for the first seven months of 2004 Egypt's exports of the six key export crops covered by HEIA had already exceeded exports of these crops for the entire 2003 year.¹ Thus, it appears that the terminal may already have given a boost to horticultural exports. Furthermore, the terminal appears to have the potential to provide a badly needed additional source of revenue to HEIA.

Since 1999 the main funding for HEIA activities has come from the association's core USAID grant. Together with a number of modifications, the grant has totaled US\$ 4.62 million plus LE 1.3 million in Egyptian currency.² HEIA has also benefited from the support of other donors and from other USAID partner projects. In an effort to become self-sufficient, the association has progressively increased its membership fees and the charges for its services. However, there is still a significant gap between expenses and the income provided by fee and service revenues. HEIA is currently struggling to find ways to close this gap.

¹ See Appendix VI.

² Grant No. 263-G-00-99-00010-00 became effective on 12-21-98. The original amount was US\$ 350,000, plus LE 340,000 designated to purchase tickets for overseas study travel. The grant amounts were augmented in a series of modifications, with the total amount reaching \$4.63 million and LE 1.3 million in Modification 7 of November 2002. Subsequent modifications extended the closing date of the grant to September 30, 2004, without additional funding.

1.2. HEIA Accomplishments:

During the past five years HEIA has made significant accomplishments in expanding its membership, in staff development, in technical support, training and other services provided to its members, and in establishing the Cairo Airport Perishables Terminal. The combination of all of these factors has contributed to the significant expansion of Egypt's horticultural exports.

In addition to its use of financial support from the USAID grant, many of HEIA's activities have been provided with logistic and financial support from other partner agencies. Initially, HEIA carried on with technical assistance and training activities that had been started by the Agriculture Technology Utilization and Transfer (ATUT) Project (1996-2002). It has since received multiple types of support from the Development Training II (DT2) project and several components of the Growth through Globalization (GTG) project. In the past year, HEIA has begun to collaborate with the component activities of the Agricultural Exports and Rural Incomes (AERI) project.

The Ministry of Foreign Trade's Export Promotion Fund (EPF) provided an LE 4.8 million grant for the initial construction of the Perishables Terminal, and LE 2 million to help expand from the initial handling capacity of 120 to 300 tons per day. MALR provided loan guarantees for the balance of the terminal's construction. The Export Promotion Fund currently pays HEIA a subsidy of LE 160 per ton for shipments processed by the terminal (65 percent of HEIA's stated fee for using the terminal), while the actual users are required to pay only 35 percent.

1.2.1. Membership:

Beginning with about 25 founding members in 1996, HEIA membership increased to 212 in 2002 and 374 in 2004.

Type of Member	Sep-2002	Sep-2003	Aug-2004	Change 2002- 2004
Full	153	183	217	42%
Associate	58	97	153	164%
Corporate	1	2	4	300%
Total	212	282	374	76%

HEIA's recent membership expansion has been in the associate category, which increased by 164 percent from 2002 to 2004, compared to only 42 percent expansion in full members. Associates' initial and annual fees are considerably less than full members, although they are still significant.³ Having this lower-cost option has permitted mid-size farms that produce for export to join the association. However, associate fees are still far beyond the reach of smallholders.

An analysis of the 2004 directory of 357 members shows that they represent the following categories or interests:

³ Currently, Associates pay LE 500 to become a member plus an annual fee of LE 500. The fees for full members are LE 6,500 to join and LE 1,800 annually.

- 217 producers
- 101 “producers for export”, and “producer-exporters”⁴
- 14 exporters
- 16 suppliers of horticultural inputs
- 1 importer
- 8 unspecified

Board members often claim that HEIA represents a high proportion of horticultural exporters and of growers who produce for export. It would be more accurate to state that HEIA members include a high proportion of Egypt’s table grape exporters, and perhaps of the exporters and export-growers of strawberries and melons. The proportion of members’ farms or farm area that produces for export is simply not known. As noted in section 1.2.4, HEIA does not cover many of Egypt’s most voluminous horticultural exports. For example, the volume of citrus exported by Egypt is about 10 times the volume of all “HEIA crops” combined, and the volume of potatoes exported is about 15 times this amount. HEIA has focused on a few high-valued, high-technology crops, particularly grapes, but not on horticultural exports in general. (See Appendix VI.)

The *geographical coverage* of the association is mainly Lower Egypt. According to the 2004 member directory, only 14 members come from Middle and Upper Egypt governorates. Expanding export production and membership in Upper and Middle Egypt is a part of the Association’s strategy for the future. HEIA opened an office in Luxor in 2003, and training has been carried out there, some of it on a contract basis.

A recent survey⁵ indicates that 20 percent of HEIA’s exporting members export more than LE 10 million each and 43 percent export between LE 1-10 million, while 37 percent export less than LE 1 million each. Most of HEIA’s farm members are large and mid-sized. The smallest producer encountered by the evaluation team in its interviews reported having 15 feddans of grapes. Many indicated areas in excess of 100 feddans. Based on this and the information on exporters above, the Team concludes that HEIA is mainly an organization of large and medium growers and exporters, with very little representation of smallholders.⁶ It is noted, however, that two of the recent associate members to join HEIA are Upper Egypt smallholder associations, and HEIA staff stated that two more associations are in the process of joining.

1.2.2. Participation in activities:

HEIA has been successful in providing training activities, visits by technical experts from other countries, technical advisory services to horticultural producers,

⁴ In the directory database, the activities and category fields are shown as “producer; exporter”, which seems to imply that these members both produce crops and export them on their own account. However, the Evaluation team believes that most of these are farmers who produce for export through others, and that only a few are producers that also export on their own account. HEIA needs to clarify this distinction.

⁵ 2004 Consumer Satisfaction Review (CSR) conducted by RRSA.

⁶ Undoubtedly, many HEIA members who are exporters and packers rely on smallholders for the production of crops like green beans and melons.

observational study tours to other countries, a quality inspection system for export crops, information services, and advocacy.

Training:

The number of trainees in HEIA training courses has exceeded expectations in most cases. Members and their employees who participated have been generally quite satisfied with the content and quality of the courses.

A total of 95 seminars and workshops were organized from 2000 to 2004 to provide *training on technical production and post harvest handling practices* (see Appendix V). For example, they covered such practices as fertilizer application, calibration of sprayers, identification of pests and diseases, and use of pesticides. These activities were developed in response to requests initiated in the various crop councils. They were carried out in conjunction with the field department and involved both international and local experts. A sampling of information on 12 courses held during 2003 and 2004 found that these courses lasted for a single day and that a few were carried out over 2-3 days. The number of participants ranged from 15 to 70, with an average of 37. There was no charge for four of these events. Fees for attending the others ranged from LE 40 for one of the one day courses to LE 500 for the three day course. Based on the sample, it is estimated that there were over 4500 participant-days of training provided in these courses. Many trainees attended more than one of these activities.

Training to attain compliance with international standards has been an important part of the training program, as shown in Table 1.2. This training is related to EUREPGAP (Euro Retail Produce Group's Good Agricultural Practices), BRC (British Retail Consortium) and similar importer standards. This number of trainees participating in each of a number of different types of courses is summarized in the table. It was carried out by the Training Department in conjunction with the Management Consultancy Unit (MCU). The current head of the MCU was the first Egyptian to be trained and certified in Europe on EUREPGAP.

It is worth noting that those receiving "*gender training*" constitute 53 percent of all trainees shown in the table. Most of the trainees were women, but some of it did include men, too. The training was focused mainly on packing house and farm workers. It involved training on personal hygiene and on food safety issues. This was required mainly for compliance with the import standards of the European countries.

HEIA has also supported *vocational training* for high school students through collaboration with the Mubarak-Kohl Initiative sponsored by the German government (GTZ) and the Ministry of Education. Support was also obtained from the Sadat City Investors' Association to establish two classes at Sadat city, and an additional class was started in Luxor during the past year. By 2004, there were 50 students enrolled in the programs at the two sites, which exceeded the association's goal of 45 students.

Members report that participation in *Observational Study Tours* organized through HEIA has been another valuable source of learning and technology transfer. During 2000-2004, a total of 456 member-visits were made in the course of 31 trips to nine countries. These trips were organized through the DT2 project, based on requests that were initiated in HEIA's crop councils and approved by HEIA's board of directors.

Reporting period	Until Sep-2002		Oct-2002 to Sep-2004	
Type of Training	Target	Achievement	Target	Achievement
EUREPGAP related training for top management of member farms	30	57	20	125
EUREPGAP-related training in Arabic for middle managers in member farms	60	159	40	233
Training extension and agronomists of MALR*	NA		50	600
Gender training – farm and packinghouse workers - basic food safety, first aid & hygiene.	400	399	400	1542
Vocational training on GAP/BRC to members' skilled workers**	50	-	100	334
*Outside training contract with APRP, funded by DT2. This training related to GAP-type standards. ** Includes Training for Jordanians. GAP refers to EUREPGAP, BRC and other importer standards.				

Technical assistance from foreign experts:

HEIA's system of arranging technical assistance visits by horticultural specialists from the U.S., Chile, South Africa, and other countries is widely credited for enabling members to implement the production and post harvest practices that are required for export.

	Number of Consultants	Specialties Represented	Field Visits	Presentations	Field Days
2000-2002	12	6	229	12	1
2003	18	9	362	14	8
2004	15	8	330	15	23

The number of consultants and farms covered by their visits has generally exceeded the objectives set in HEIA plans. For example, in 2004, the plan called for 15 consultants to reach 100 farms. A count of HEIA records shows that the 15 consultants actually made visits to 196 member farms, and in some cases multiple visits were made to the same farm. The experts were also used as a part of HEIA's training program, and the presentations discussed under technical training above.

Technical Consulting:

HEIA has developed an in-house staff of Egyptian specialists in Horticultural production. These consultants work in conjunction with foreign experts to organize field days and presentations, and they participate in the training program. The consultants pay regular field visits to the farms of association members to observe the

status and conditions in the field, and to make recommendations on such matters as irrigation practices, pruning, and the use of pesticides for disease and insect control. They also provide guidance on post-harvest handling. In 2004, through September, these HEIA consultants paid a total of 593 visits to 43 HEIA member farms.

Management Consultancy Unit:

HEIA's Management Consultancy Unit (MCU) has assisted members in implementing integrated management systems to comply with the requirements of various European buyers, particularly EUREPGAP and BRC⁷ standards.

The training accomplished in this area is shown in Table 1.2. While HEIA's plan called for 35 member companies to be certified by 2004, the actual number certified was 67. The MCU also received a contract for training MALR extension and Agricultural Cooperatives in GAP and BRC-related activities in 2002.

Contrary to what its name might seem to imply, the MCU does not engage in farm business management consulting. The latter was an area of need mentioned by several association members that were interviewed by the evaluation team, but it is a service that HEIA does not provide.

Quality Assurance Certification:

The Quality Assurance Department was organized to provide quality inspection services to exporters, and to certify to foreign buyers that specified quality, size and grade standards have been met. In contrast to EUREPGAP and BRC certification, which applies to farm and business companies, quality certification applies to individual shipments of fruit and vegetables.

**Table 1.4: Number of Sites Receiving
HEIA Quality Certification Services**

Crop	2000	2001	2002	2003	2004
Grape	11	10	17	19	20
Strawberry	1	7	6	3	4
Green Bean	2	2	1	3	n.a.
Melon	3	2	1	2	n.a.
Apricot	0	1	0	0	0
Snap bean	0	1	0	0	0
Tomato	0	0	1	2	2
Total	17	23	26	29	26

Normally, inspections are performed at crop packing facilities. As shown in Table 1.4, quality certification was provided at 29 different sites, in 2003 up from 17 in the year 2000.

Over the past five years, the Quality Assurance Department has engaged in training an increasing number of members, their employees, and inspectors, as shown in Table 1.5.

⁷ These systems have been designed by groups of importers to ensure that the quality and safety of food are guarded throughout the production and post-harvest handling process. Two of the better-known standards are the Euro Retailer Produce Group's Good Agricultural Practices (EUREPGAP) and the British Retail Consortium (BRC) standards.

The Quality Assurance department has also provided training and other support at the farm and exporter level to expand and improve quality inspection services to meet buyer standards. By September 2002 it had addressed the needs of seven such organizations, compared to an established target of four. By August 2004 it had reached 12 organizations compared to the target of eight.

	2000	2001	2002	2003	2004
Members and Employees	0	58	60	292	205
New Inspectors	0	0	10	25	25

Information and Market Services:

In numerous ways HEIA provides both technical and market information to its members. Technical information is provided through training, field consultations and publications. HEIA's Information Technology Department arranges for market news reports to be delivered by international companies and agencies to subscribing members via internet. Members interviewed by the evaluation team expressed a certain amount of dissatisfaction with this service in that the delivery is often delayed to the point where the information is of little value and that it covers only a narrow range of markets, mainly those of Great Britain.

Publications:

The Public Relations Department handles both publications and public relations for the association. In addition to information brochures about HEIA and the activities of its crop councils, there is a regular quarterly magazine in Arabic and English, and a bi-weekly newsletter in Arabic. The magazine describes recent association events and provides briefs on technical information from expert visits and presentations. The department also assists the Technical Department in preparing technical bulletins that describe the production practices and technologies that are recommended by HEIA's international and Egyptian consultants. These are sold to members at about LE 20 each.

The Publications Department has also supervised the preparation of CDs and videos of expert technical presentations. These are sold to members. During the past two years, this has resulted in the sale of 1391 units for a total of LE 38,265.

1.2.3. Staff development:

Currently, HEIA counts a staff of some 67 employees, including managerial, technical, clerical and service personnel (see Table 1.6 below). Of the total, 9 are in financial management. This is a high number for an organization of HEIA's size, and it is at least partly a reflection of the effort required to report in two languages and two currencies.

The staff includes some 30 persons who are in technical specialties, including field consultants, supporting agronomists, and quality control inspectors. Many of these staff members have received highly specialized on-the-job training. The field consultants and agronomists have worked closely over a number of years with visiting foreign experts, and they have received local and international training.

HEIA's technical experts represent a unique and valuable form of human capital to the association. These employees have been given extensive on-the-job training at a considerable financial cost. The expertise of the agronomists and field consultants, in particular, is focused on a relatively narrow range of horticultural crops, and especially on table grapes.

Count	Department	Number of Employees
1	Executive	1
2	Finance/Administration	9
3	Administration	6
4	Publications	2
5	Training	2
6	Membership	2
7	Committees	1
8	Food Processing	3
9	Councils	3
10	Field Services	10
11	Quality Assurance	9
12	Management Consulting Unit	5
13	Projects	1
14	Information Technology	1
15	Luxor Office	4
16	Refrigerated Perishables Terminal	8
Total Number of Employees		67

Sources: see Appendix VII.

1.2.4. Expansion of horticultural exports:

As its name implies, HEIA's primary goal is to expand Egypt's horticultural exports. The staff and most of the members are convinced that the association is succeeding in that task. This also seems to be the observation of many of the Partner Organizations and Stakeholders (see Appendix II) who were interviewed by the evaluation team. Several of those interviewed pointed out that other organizations also played a role in this process, and in particular that part of the success should be attributed to the ATUT project that preceded HEIA.

To evaluate HEIA's impacts on horticultural exports, the Team assembled data on horticultural and other agricultural exports over the last 10 years, covering years both before and after HEIA was organized and developed the activities described above. This export data is shown in detail in Appendix VI, and the main results are summarized in Table 1.7 below.

While HEIA was founded in 1996, its effects were not felt immediately, until it had the time to become fully organized and until it obtained major USAID grant support. Thus, the table compares horticultural exports in the period before 1998-99 to the period after that biennium.

The table appears to lend support to the contention that HEIA has supported a significant boost in the export of the horticultural crops that it covers.⁸

Table 1.7 Increases in Exports of HEIA Crops Compared to Other Exports			
(Percent Change in Quantities Exported in Selected Two-Year Periods)			
	1994-1995 to 1998-1999	1998-1999 to 2002-2003	1998-1999 to 2003-2004*
HEIA's Core Crops:			
Grapes	-31%	703%	1033%
Strawberries	-6%	222%	257%
Melons	-1%	1%	8%
Green Beans	-44%	36%	18%*
Cut Flowers	-51%	8735%	1635%
Mangoes	-70%	12%	-54%*
Sub-total	-33%	93%	108%
Non-HEIA Exports:			
Horticultural Exports, All Other	23%	24%	32%
Agricultural Exports, Other	49%	60%	48%
Agricultural Exports, Total	32%	40%	39%
Other Items of Interest (also Included above):			
Dried Fruits and Nuts	-12%	18%	-15%
Herbs & Medic. Plants	23%	34%	7%
Spices	-38%	7%	-13%
Fruits, other fresh	295%	-26%	-8%
Vegetables, other fresh	-9%	50%	60%
Fruit & Vegetables, Processed	-2%	39%	-1%
Note: Analysis based on quantities reported by CAPMAS. * 2004 data through July. Because 2004 data is incomplete, a comparison to the 2002-2003 period is provided as an alternative to the 2003-2004 comparison.			

During the period before HEIA became active, exports of all of its six crops were in decline, while all other horticultural exports were expanding somewhat (23 percent over four years). During the period after HEIA became active, the export of three of HEIA's core crops (grapes, strawberries, cut flowers) expanded dramatically, and the other three also improved markedly, compared to the earlier period.⁹ For the six association crops taken as a whole, the total volume of exports increased by 93 percent - 108 percent. This is more than three times the 24 percent - 32 percent increase registered for all other horticultural exports.

⁸ CAPMAS is one of several sources of data on Egyptian trade statistics. The agency is often criticized for having incomplete data, and its reporting process is known to be flawed in a number of ways. It is based mainly on customs declarations, and these sometimes specify just the value but not the quantity. The FAO also reports export data, but this is based primarily on CAPMAS information. HEIA has used data provided by the ALEB project, which is also shown in Appendix VI (see Table VI.3), together with its sources. Generally, the ALEB data indicate a much higher volume of exports than shown by CAPMAS. However, the ALEB data available to the team covered only 1997-2003; it did not cover all HEIA crops; and it covered only a few non-HEIA crops. The team decided to use the CAPMAS data because it is a longer-term series, it has been consistently collected by the same organization, and it contains non-HEIA crops for comparison. Thus, it provides a picture of what happened "before and after" HEIA, as well as a comparison of performance to non-HEIA crops.

⁹ This interpretation is based on the 1998-99 to 2002-03 comparison; since the data for 2004 is still incomplete, it is difficult to draw firm conclusions about the comparison based on the 2003-04 biennium.

It would be a mistake to say categorically that these accomplishments are simply the result of HEIA. To start, HEIA picked up on the work that had been initiated under the ATUT project. The crops and market opportunities for the main HEIA crops were initially identified by ATUT. And, as noted above, HEIA has had the support of several other partner organizations. To an extent, what is observed above is also driven by the demand of the European market. Some non-HEIA crops have had similar success, without the support of HEIA – for example, exports of globe artichokes have recently expanded just as dramatically as some of the HEIA crops (see Appendix VI).

The preceding comments notwithstanding, the evaluation team believes that HEIA did play an important role in expanding the export of the noted crops. A significant number of members interviewed by the evaluation team indicated that they would not have been able to venture into horticultural exporting without HEIA. Some said they would not be able to continue without the services provided by the association.

While exports of the crops promoted by HEIA have expanded dramatically, it should be noted that these crops still account for a relatively minor part of Egypt's overall horticultural and agricultural exports. According to CAPMAS statistics, the total export value of HEIA's six key crops amounted to US\$ 14 million in the first seven months of 2004. This was six percent of total horticultural exports, and two percent of all agricultural exports reported by CAPMAS.¹⁰

Another way to gauge the benefits of HEIA's activities is to consider impacts on its members' farms and businesses. The 2004 Client Satisfaction Review (CSR) conducted by RRSA inquired about their number of employees in 2003 and 2004. Sixty-three respondents reported a total of 5034 employees in 2004, up from 4454 in 2003. This is a gain of 13 percent and is another indicator of HEIA's positive impacts.

1.3 Other Associations

HEIA is one of several associations that have been organized to support Egypt's agriculture sector in recent years. These include the Egyptian Seed Association (ESAS) established 1998, the Egyptian Agribusiness Association (EAGA) established 2000, the Egyptian Cold Chain Association (ECCA) established 2001, the Herbs & Spices Association established 2003, and the Olives Growers Association established 2004. Some of these associations have received technical support from the USAID-funded activities such as the Agricultural Policy Reform Program (APRP) and the Agriculture Led Agribusiness Project (ALEB). However, HEIA was the only association to receive a direct USAID grant and to be able to offer grant-supported services to its members.

¹⁰ The ALEB statistics mentioned in the previous footnote report a considerably higher export value for some of these crops. In 2003, for example, the total export value of four crops (table grapes, green beans, strawberries, and cut flowers) was four times higher as reported by ALEB, compared to CAPMAS. Presumably, however, CAPMAS would not under-report the value or volume of the HEIA crops any more than it would under-report other crops. Thus, we would expect the HEIA crops to represent a similarly small proportion of value in ALEB terms, when compared to CAPMAS, if ALEB reported all crops.

Many HEIA members are also members of one or more of the other associations. To a certain extent these associations share common objectives, and HEIA has benefited from some of the initiatives of the other organizations. For example, HEIA has participated in trade fairs organized by EAGA, and it stands to benefit from the latter's efforts to advocate with shippers for shorter routes to Europe. Also, improvements in Egypt's seed laws, brought about by the lobbying efforts of ESAS, have worked to the advantage of HEIA members.

CHAPTER TWO: ORGANIZATIONAL CONSIDERATIONS

2.1 Overview:

HEIA is an organization at a crossroads. It has made significant contributions to the Egyptian horticultural sector in the years of its existence. This contribution has been significantly supported by USAID and other grants. As it moves to continued self-sufficiency and sustainability, the efficiency and productivity of its operations and organization will be critical. The structure of HEIA is not as efficient or viable as it could be at present. There is confusion as to terminology concerning which services are being offered. There are unclear connections between services and positions on the organization chart, for example. Part of this may result from staff shifts due to people leaving without the appropriate re-structuring of the work. The organization acknowledges the need to re-organize its work. However, the staff is currently experiencing some resistance around customizing a software package to assist in this work.

2.2 Governance Issues:

The Role of the Board:

The nine-member Board of Directors' sense of their role in HEIA seems to flow from their personal histories of managing family-owned businesses. Thus, the key Board members view involvement in the day to day activities of the organization as appropriate. Their very active interest in the organization is clearly a strength but when it becomes overdone, it results in micro-management as reported by former executive directors and other stakeholders. This day to day involvement is, however, derived from an interpretation of the Egyptian law regulating the organization of non-governmental organizations. The law mandates certain responsibilities to the board rather than the executive director and staff¹¹, as might be the case in private sector organizations. In accordance with this statute, the HEIA Statutes also support the involvement of the Board in day to day activities. Although perfectly legal, this intimate involvement in the day to day running of the organization is viewed by some employees and outside stakeholders as looking out for their own personal interests rather than the good of the horticultural sector and HEIA's 374 members.¹² The relationship of the Board to the staff appears to lack a sense of trust or empowerment.

A key characteristic of effective boards is transparency. Stakeholders and employees of HEIA do not always understand the board's decisions and their process. The less transparent the board is in its actions, the more its members leave themselves open to the criticism that they are merely using the association for their own personal aggrandizement.

As an organization, HEIA seems to be theoretically aware of this issue, but there is concern, especially on the part of some key stakeholders that the current board members

¹¹ "The Executive Statute of the Law on Non-Governmental Societies and Organizations (Law no. 84/2002" Decree no. 178 of year 2002, Date of Issue 23 October 2002)

¹² HEIA Statutes for Developing and Improving the Horticultural Exports, (Letter sent to the Ministry of Social Affairs, January 29, 2003)

have the inclination to let go of their high level of involvement and to permit the organization to move ahead under the guidance of a competent executive director.

There is concern among employees that the Board is not sending a clear message about the future and is instead sending “pie in the sky” messages, as one employee called them. While Board members talk about the reality of USAID funding coming to an end, their actions, or lack of them seem to indicate they don’t believe the funding will really end and that all operations will continue as in the past. The Board has not been proactive in addressing the issue of cutting costs in the face of losing USAID support. For example, the board has several times postponed a strategy session to address the issue of future funding.

The Role of the Executive Director:

There have been difficulties with the position of executive director throughout HEIA’s short history. There has been high turnover in this position with four Executive Directors in five years. The longest tenure was three years and that person left in 2003 over irreconcilable differences with the Board. The Association has been without a permanent executive director since May of 2004. Although the Board has held some interviews for the position, members are of the opinion that the Executive Director must come from the horticultural sector and/or be quite familiar with the organization. This contradicts conventional association management wisdom which holds that strong management skills are the core qualification and that knowledge of the industry can be learned. After all, it is not the role of the executive director to advise a farmer on more suitable crop varieties, for example.

Role of Committees:

The team was provided a number of organization charts with varying levels of complexity. One chart included no less than eight committees positioned between the Board and the Executive Director and showed only one committee as having a relationship to the Executive Director. The other seven committees were shown as relating to various staff, often bypassing not only the Executive Director but also Department Heads. At present, however, only four committees are active (Funds, Technical, Membership, and Perishable Terminal), one of which is not on the original organization chart provided to us, and the Board plans to form ad hoc committees in the future to deal with temporary issues.

Crop Councils:

The crop councils were organized to allow members to take an active role in the governance of their organization. However, the effectiveness of any particular council depends on the active participation of its members and the expertise of the chairman. There are mixed results between the chairmen of these councils and their members. In one committee there is a conflict between the growers and the exporters because of their different issues and needs. As an example, the table grape council is the biggest (180-200 members) and although it is active, one wonders if a group of that size can be truly participative. The Board has discussed splitting this council into an “advanced” and a “basic” group.

Efficiency:

A reading of the HEIA quarterly reports reveals various departments claiming the same activities as “achievements”. Processes seem to be unnecessarily divided between two, three, or even four groups. This seems to indicate either a very narrow delineation of responsibilities, or redundancy. While the former seems to have been the intent, the latter

seems to have been the result. The quarterly report for April – June 2003 claims, as an activity, work to reduce the overlap of the different departments, but there is no further report on this effort during the next year.

Leadership:

Firms and individuals belonging to HEIA want to understand how leadership is determined and how they can become involved in the process. Members suggested that HEIA clarify the association’s methods of determining and rotating leadership positions, and encourage the nomination of qualified candidates. HEIA leadership selection is based on the Rotary Club model of former board members (called the Committee of Trustees, but not appearing on the organization chart) screening future board candidates. This fits with the cultural bias toward knowing people personally and with personal connections being the basis for credibility. It may, however, also contribute to the perception that HEIA is a “closed club” and to attain any position of influence “it depends on who you know.” Indeed, the majority of the Board members is either part of the founding group of the Association or closely allied with it through business connections.

Organizational Development:

According to the ATUT final evaluation, “HEIA should commit to organizational development as a central discipline. One means of fostering this discipline is to conduct team-building sessions that are focused on short-term objectives that require commitment, in measurable terms, to the organizational development outcomes of cooperation, sharing, teamwork, conflict resolution, accountability, and others.”¹³ This report was done in 2002, and the response seems to have been to hire a quality management systems specialist who put a system in place but he had problems with the staff and was let go. The plan has been shelved and is not being implemented at present. This raises the question of whether HEIA understands the meaning of the concept of organization development. There was a recent teambuilding session for the staff for example, but the leader described it as his “giving lectures” rather than engaging in the kind of activities which support the outcomes noted above. Earlier staff retreats on improving the work environment were critiqued by staff as mostly theoretical and needing more exercises and practical sessions. True organizational development is an on-going process based on action research within the organization which identifies blocks to the characteristics mentioned above and implementable solutions to these blocks.

2.3 Staffing Issues:

Turnover among staff has been high, especially in the Finance and Administration and Business Development groups. Turnover among technical staff has been low, however, due to the fact that traveling abroad gives them experience as well as a little more income from per diem. They also must sign agreements that they will stay with the organization for a certain time after travel. There is concern, however, if the observational study tours are curtailed, the technical staff also will start leaving. A move of the Association headquarters to a new building in Sixth of October City has been in the works for some time. This will present a further strain on some staff since they will require transportation and may not be able to stay with HEIA.

2.4 Plans and Objectives:

¹³ Page 43 of report.

The documented history of HEIA's strategic plans does not reveal strong continuity. For example, the 2004 strategic plan identifies some different trends than the 2001 plan, but with no commentary on the status of these earlier trends. The shift may have been in response to the Ministry of Foreign Trade's (MOFT) Strategic Action Plan in 2001 as some board members indicated, but it is not clear from the documentation. The same is true for elements of the "practical vision" revision as well as the "tactical system". There have been changes in priorities from earlier plans. The quarterly report for the first quarter after the creation of the new strategic plan describes objectives not contained in the strategic plan and in fact makes no mention of how the activities identified in the report support the 13 tactics of the plan.

2.5 Monitoring and Evaluation:

It is difficult to assess progress on HEIA's plans because the monitoring and evaluation function within the organization is only vaguely defined.

HEIA and its departments have submitted quarterly reports to USAID. These have not been carefully edited and have regularly included incorrect dates and other errors. We must conclude they were seldom read since no quality improvement was evidenced over the life of the document. In the reports, various departments take credit for the same activities without specifying their specific responsibilities. Some departments include the most trivial of activities while others leave out the most basic of information such as the titles of training courses. There does not appear to be any coherent, consistent approach to the quarterly reports which would give the reader any clear sense of how the activities of HEIA staff support the association's strategic goals and objectives.

In 2004, prior to the final evaluation, seven departments prepared reports on HEIA's achievements in numerical terms during the period 2000-2004.¹⁴ Based mainly on information reported earlier in the quarterly reports, these summaries compared the actual numbers of participants in training and other activities to numerical targets that were originally established in the first Strategic Action Plan. While these reports have been very useful to the evaluation team¹⁵, it appears that they were prepared mainly to satisfy USAID's requirements. There is little no indication that HEIA has used the quarterly reports or final summaries as ongoing management tools. For example, they report on the number of people who participate in the activities, but they do not comment on whether participants are satisfied with what they have learned or achieved through participation. Numbers are reported, but their significance to the organization is not analyzed.

2.6 Cooperation and Relations with other Organizations:

Development Training II (DT2):

This USAID funded project, administered by the International Institute of Education, has provided training and coordination services for a number of HEIA activities. It has provided funds and arrangements for the numerous international Study Tours of HEIA members. It has also conducted monitoring and evaluation of training. It also financed training programs for agricultural cooperatives and agricultural extension staff, which

¹⁴ See list in Appendix I.

¹⁵ They provided the information for most of the accomplishments reported in section 1.2.2 of Chapter 1.

were implemented by HEIA as a contractor. The International Institute of Education was mandated by the Mission to provide all participant training.

GTG:

USAID's Growth through Globalization (GTG) Project, to be completed at the end of this year, has supported HEIA in various ways. One component activity, the Agriculture Led Export Business (ALEB) Project, provided many kinds of assistance to HEIA. ALEB's overall aim was to promote the food industry among individuals and groups within Egypt.

HEIA's staff, and in some cases members of its board, participated in forty one different ALEB-provided technical and business management training activities. ALEB also provided foreign technical assistance on a various topics, including organizational development consulting that sought to address the micro-management issue. ALEB funded participation of HEIA board and staff members in three study tours. In early 2004, ALEB contributed both consultants and financial support for HEIA's strategic planning process. ALEB and HEIA also cooperated in attending export and agribusiness trade fairs both internationally and in Egypt.

ALEB staffed a technical desk in HEIA to provide liaison with the food processing industry. ALEB's Technical Services Department for food processing was transferred to HEIA in September 2004 and will operate under the oversight of the Food Processing Council.

ALEB developed a market information service, starting with personnel who had been trained in ATUT. This service, called Market Pulse, provided statistics on production, trade, demand, supply and consumption of seventeen of Egypt's processed fruit and vegetable categories. It also provided information on exports of selected fresh fruits and vegetables. This information was useful to HEIA in tracking the export performance of its core crops. However, HEIA did not develop its own capability to do similar market research, and now that ALEB has been completed the marketing information the project provided may not be available for HEIA or its members in the future.

AERI:

The Agricultural Exports and Rural Incomes (AERI) Project's aim is to increase rural incomes and exports. There are strong complementarities between HEIA's goals and activities and those of several of the component projects of AERI. HEIA is currently working to expand its presence in Upper Egypt in order to expand its "market window" with early- and late-season exports from that area. The majority of farmers in Upper Egypt are smallholders, and supporting such farmers is a logical area for HEIA to work under this project, although the Upper Egypt office coordinator for HEIA said he had no knowledge of AERI or its programs.

HEIA has already signed a cooperative MOU with the EL SHAMS project that is being carried out by CARE Egypt to provide services to small farmer associations. The objective stated in the memorandum is to share resources and technology for "achieving the mutual objective of increasing horticultural exports from Upper Egypt." HEIA has already begun to provide some training services for EL SHAMS. The project would like more collaboration, but there is concern that HEIA has been slow to get off the mark. Ultimately, it is envisioned that HEIA's services to EL SHAMS could entail training on EUREPGAP and BRC certification, post-harvest handling, in-country study tours to HEIA member farms, and match-making between the farmer associations and exporters.

The grants component of AERI, under the administration of Chemonics, has funds to support agricultural trade associations and smallholder groups. There are numerous ways in which this component could support the continued development of AERI. Although it will not fund associations directly, it will support association programs and activities that generate income for continued sustainability. The grants program also has the ability to fund association staff training and provide assets that support member training activities. It also has the capability to fund visits of foreign technical experts, provided that the association charges its members fees that cover the full cost of these experts. There is a lack of marketing infrastructure in Upper Egypt, and HEIA could help provide some of the missing links with support from one of the grants.

The Midwest Universities Consortium for International Activities (MUCIA) component of AERI, with the University of Illinois as the lead institution, has the potential to support HEIA development in several ways. Two HEIA staff members are already scheduled to participate in training in marketing through this project, and there is potential for additional staff training. HEIA also hopes to obtain MUCIA impact grants to fund research on new crops in Upper Egypt. Some of the members of MUCIA's steering committee are also members of HEIA.

UPEHC:

The Union of Producers and Exporters of Horticultural Crops (UPECH) is housed in the MALR offices and its chairman is named by the Minister, and is viewed as a quasi-government agency. Although it has a well-defined mission to reach the small farmer, its impact has been limited. The UPEHC chairman indicated that HEIA might be seen by some as having a similar mission. However, he would like to cooperate with HEIA on a joint venture such as a packing house for small growers to enable them to meet EUREPGAP standards.

UPEHC has a Market and Technical Information Network based on eight staff members that it hired from the ATUT project when it ended. This is information that might have a potential value to HEIA and its members, but it is not readily available and apparently no procedures have been developed for HEIA to obtain it.

Extension Service (Ministry of Agriculture and Land Reclamation):

There are problems with the technical expertise of this group as well as their reliability. For the most part, information provided by extension agents is not up to date. Extension has insufficient budget and logistic support, which means that extension agents are often not able to visit farmers' fields to observe conditions or conduct field demonstrations. HEIA members also spoke of extension agents missing appointments because they did not have transportation. One of the EL SHAMS project objectives is to train 240 "elite" extension agents. Even so, because of HEIA's involvement in the high technology export sector, they have a competitive edge over the extension service. HEIA has done some training for extension personnel, particularly in the EUREPGAP standards.

2.7 Conclusions:

The analysis above shows that HEIA faces some significant organizational problems. These are reflected in the high turnover of executive directors and of certain other staff. There have been conflicts between the board, the executive directors and the staff, many of which can be attributed to the board's tendency to micromanage the staff. At the

January 2004 strategic planning meeting, one action item was to develop an authority/responsibility matrix for board/staff working relationships and there has been some progress on this but it is not expected to be completed for another three months. One stakeholder suggested that the Board go on a study tour together to visit other organizations and learn first-hand the role of a Board. However, past study tours have included such visits. Board members cite their attendance at an American Society of Agricultural Engineers' meeting as proof that they know their role, but the comments of many others interviewed by the team does not support this. There are also problems with inefficiency in the organization that are at least partly attributable to overlapping in the functions and responsibilities of different departments.

Recommendations:

- Hire a full-time Executive Director ASAP. Finish the roles and responsibilities matrix as soon as possible, clarifying in writing the differentiation of the Executive Director's role from that of the Board. Given the difficulties between the executive directors and the board over the years, this is a critical step toward sustainability. Although some members of the Board have participated in Board training, it is advisable to have more do so. This training should be based around the matrix referenced above and include the executive director. The product of the training should include a workable executive policy that all will commit to. This policy should focus on the Board's role around formulating vision and strategy, with day-to-day association operations left in the hands of the executive director.
- Review the core business processes of the association from a process improvement point of view. For example, one of those processes is consultant visits. The Association should have fewer departments involved and not split up responsibilities so much. They could also identify functions that could be effectively outsourced, such as meetings and travel arrangements. Some process re-engineering may break the existing paradigms for how to conduct business, but the results should be reduced costs in serving the members and the industry.
- Identify practices which impede efficiency and create alternatives to them. For example, financial management and cash flow procedures may require improvements.
- The Training Department, Management Consulting Unit, the Quality Assurance Department, and the Field Services Department should look at their processes together to identify ways to streamline and coordinate their efforts. Some consolidation may be in order.
- HEIA should develop explicit responsibilities and more efficient procedures for monitoring and evaluation. This should be done not to comply with any external requirement but so that the organization can know at every moment how its programs and services are doing in terms of quality and financial results.

CHAPTER THREE: THE VIABILITY OF HEIA'S SERVICES

HEIA's has offered a number of different services to its members and the sector as a whole. The terms used to describe the services vary somewhat. The service names used in brochures and information publications have not always been the same. To an extent this discrepancy reflects changes in the content of the services through time and sometimes has varied due to differences in English translation. For the following discussion, we have chosen to deal with the services under the following headings:

- Advocacy
- Information services (to include publications, trade fairs, workshops and reports, e-mails)
- Marketing Services (to include market information services)
- Training, including Foreign Observational Travel
- Research and Development
- Compliance with International Standards (to include the Management Consulting Unit and Gender Training)
- Quality Assurance (often called Quality Control in Organization Charts and other documents)
- Field Services (also called Technical Department in some documents)
- The Refrigerated Perishables Terminal

3.1 Overview of the Financial Viability of the Services:

HEIA does not have a separate cost accounting system, and its financial chart of accounts does not include separate categories for the revenues and expenses of all of the services noted above. In some cases (advocacy), there have been no charges or revenues for the service, and there has been no separate accounting of the costs. In other cases (research and development), the association has not been very active, and no separate records have been kept. In still other cases, the revenues and costs of several different services have been lumped together in the accounts of a single department (Information, Training, Management Consulting Unit, and Field Services).

The association has used both local and foreign experts to provide consulting services. The financial records show these as separate expense categories but as only a single income category. Thus, it was necessary to treat them as a single group in the analysis that follows.

Table 3.1 below shows expenses and revenues of seven activities, for both 1998-2003 period and for 2003, the latest complete year reported. The latter year was shown separately since in this year HEIA states it charged the highest participant fees of the whole period. The expenses shown in the table are the direct costs of providing the service, but they do not contain the staff costs of the personnel who are directly

involved. Thus, they understate the full direct costs of providing the services. They do not include any indirect (overhead) costs.

Because of the way in which HEIA's accounting system has been organized, it is not always easy to interpret the meaning of Table 3.1. Since publications, market information sent to users by email, trade fairs, and workshops have all been lumped together under Information Dissemination department, it is not possible to determine from the table how any of these has performed individually. The category (department) Technical Consultants includes costs and revenues of both foreign experts and the association's own staff experts, even though the fees and cost structure for each are very different. Furthermore, the costs of foreign experts and consultants used for the Management Consultancy Unit (MCU) program are included under the expenses for Technical Consultants, which means that the apparently excellent performance of the MCU is greatly overstated, while the performance of the Technical Department is understated.

The ratios of revenue to expense shown in the table are sometimes known as "coverage ratios". A ratio of 1.0 means that the revenues of a service exactly cover its direct costs. A ratio of 0.25 means that only 25 percent of the direct costs are covered. The pattern shown in the table is consistent in for the entire 1998-2003 period, and for 2003. Overall, HEIA's service revenues provide only some 25 – 30 percent of the direct costs of providing the service. If the direct staff costs and a share of overheads or indirect costs were added to the expenses shown in the table, the coverage ratios would be far lower than they are.

	1998-2003			2003		
	Revenue	Expense	Rev/Exp	Revenue	Expense	Rev/Exp
Information Dissemination	635,523	1,567,487	0.41	176,095	691,955	0.25
Quality Assurance	243,636	187,471	1.30	114,044	62,324	1.83
Management Consultancy (Standards Compliance)	561,970	140,371	4.00	253,650	16,605	15.28
Observational Travel	407,308	2,190,447	0.19	121,894	694,942	0.18
Technical Consultants	540,486	4,026,296	0.13	324,972	2,594,822	0.13
Gender Program	9,950	35,599	0.28	6,030	12,349	0.49
Training	84,905	277,983	0.31	27,660	55,500	0.50
Total Above	2,483,778	8,425,654	0.29	1,024,345	4,128,497	0.25

Two services appear to be “money-makers”. These are the Management Consultancy Unit (MCU), which provides services relating to compliance with EUREPGAP and other international standards, and Quality Assurance, which entails certifying the quality of crop shipments. In 2003, the revenues of Quality Assurance exceeded the direct costs by 80 percent, which was an improvement over previous years. The MCU ratio of 15.28 in 2003 suggests that its revenues covered 15 times the cost of the service; however, since the costs of the outside experts and consultants used for this service are not included, the coverage ratio is not this high. Nevertheless, HEIA staff state that this service would generate a surplus even if the other costs were added. Although these two services appear to generate net surpluses, the amount they generate is not enough to offset the losses in all of the other services.

All other services had ratios of considerably less than one, meaning that they come far from covering direct costs. The overall average ratios of 0.25 to 0.29 mean that HEIA’s overall service fees would have to be increased at least four-fold just to cover the direct costs.¹⁶ However, the fees of services with the lowest coverage ratios would obviously have to be increase much more than this.

When the Team asked groups of members, what would be their reaction if HEIA is obliged to increase the current prices of its services by 100 percent, they expressed disappointment and said that their demand for most services would decrease, particularly the demands of the smaller growers. Some members indicated that without services they could afford, they might have to drop their membership. For some services, such as technical assistance from foreign experts and HEIA field consultants, some members said they would reduce the amount they use individually and try to share the service with neighboring members. They also suggested that they might be forced to rely on lower-quality technical assistance, or even use other service providers where available. However, members also said they would continue to use some services (i.e., quality assurance and standards compliance) as long as they have no other choice.

3.2 Advocacy:

Organization:

There is no designated staff support for advocacy. There is an advocacy committee linked to the executive director on one organization chart, but no other staff members seem to be explicitly assigned to this function. An ex-chairman is the head of this committee. The advocacy process seems to be based on board members’ extensive contacts with officials. There seems to be little evidence of using staff to identify advocacy needs by sector analysis or systematic polling of members, nor does it appear that the staff has been used in structured advocacy campaigns. The strategic plan does include a tactic around the function which involves hiring an outside group to do a study of “relevant government laws, policies and regulations with recommendations that will determine advocacy actions...” Over a third (35 percent) of HEIA members stated that they did not know HEIA’s advocacy role. (2003 CSR)

¹⁶ As explained above, these direct costs are understated because they do not include direct staff costs.

Results:

The major result of the association's advocacy efforts has been the Perishables Terminal at Cairo Airport. This entailed a number of related advocacy efforts, as explained in section 3.10 below. Although HEIA reports speak of "strong partnerships and communications with the Ministry of Agriculture and Land Reclamation", there are not many documented accomplishments besides the Terminal and resolution of subsidies on certain crops. This is not to say that this is not a valuable service for members.

Other Sources of the Service:

There are other groups which could play a role in the lobbying function and HEIA members have connections with them. This would include ACC, Commercial Chamber of import/export and others. Any systematic plan should start with the research HEIA is planning but it will take a concerted effort on the part of members, facilitated by association staff members to implement any advocacy strategy.

Financial Considerations:

If HEIA were to truly develop this function into a "lobbying" capability, it would have to factor the cost of the function into annual dues. At this point in time of the development of the organization, and given the limited understanding of this function on the part of the members, it would probably be a hard sell.

Future considerations:

While this is a very important role for HEIA with regard to the industry, it must be carefully weighed in terms of the gains of the function versus energy to be expended. Any sector analysis should identify all the competing forces. For example, to advocate for subsidies to make Egyptian products more competitive may contradict WTO rules to which Egypt is bound.

Recommendation:

- Echoing the recommendation of the 2003 CSR, HEIA may want to explore additional ways of informing firms of the HEIA advocacy efforts and providing venues for member involvement in the advocacy process. The re-organized advocacy committee needs to publicize its efforts at every step and identify ways members can support the work.

3.3. Information Services:

Organization:

The publications department, also referred to as information services, is a small group (two persons) responsible for producing a number of documents and other materials that present HEIA to its members as well as to the larger Egyptian and world horticultural community. It helps to organize and facilitate production of materials for exhibitions and meetings where HEIA has a role.

One of the informational services that trade associations often provide is to organize trade fairs. Such events serve multiple purposes. They sometimes are held in conjunction with annual technical meetings. They present an opportunity for those attending to learn about the latest production inputs and services available from suppliers, as well as to learn the latest technical procedures. They facilitate

networking between producers, packers, exporters and foreign buyers. HEIA has participated in international trade fairs and in agricultural trade fairs in Egypt that were held by other organizations, but they have not organized trade fairs that were based on their own specific products and markets.

Performance and Value to Members:

The HEIA quarterly Newsletter, with Arabic and English text for each story appearing on the same page, reflects care in production. It contains both general and specific information about association activities and the horticultural industry in Egypt. The newsletter contains advertisements for groups active in the sector, including exporters and input suppliers. It contains summaries of HEIA workshop and seminar proceedings, including useful technical recommendations on production practices. It is also remarkable in its candor in describing less than successful training courses.

The Association also produces an Arabic-language bulletin, “Akhbarna”. This publication collects items of interest from the Internet and other sources for members in addition to news of HEIA activities. Its mailing list includes non-members who request inclusion. One challenge to providing information to the members is that only 25 percent of them have e-mail. HEIA does make use of fax for the distribution of this document.

HEIA plays a very important informational role with its technical bulletins as well as transcripts, videos, and CD’s of technical expert presentations. In some countries suitable information on horticulture is available from the agricultural extension service, but this is not the case in Egypt. Although some information on horticulture is available from the Horticultural Research Institute (HRI), of the Agricultural Research Center (ARC), from UPEHC, and from some Egyptian universities, HEIA’s publications address the specific needs of its members in production for export, and in necessary post harvest handling procedures. Thus, they are relatively unique and highly valuable to the industry.

Financial considerations:

The financial analysis indicates that revenues for most of the information services have not covered costs. If managed properly, however, many of the publications should at least cover their costs, and some could help contribute to HEIA’s financial sustainability. Increasing the number of advertisements in the newsletter can help, and so can marketing publications and resources in a strategic manner, rather than simply waiting for requests. Determining the appropriate prices for publications and other information services will always be a challenge, and a keen eye will have to be kept on what the market will bear.

Trade fairs, when well planned, organized, and marketed, have proven to be a valuable source of income to trade associations in other countries. HEIA, however, is planning on organizing the “Flora Egypt” trade fair in January of 2005. This might be a potential source of income.

Future implications:

Information services should be developed further within HEIA. Superfluous responsibilities such as letterhead and business card purchasing should be placed in the administrative department where they belong.

Recommendation:

- Insure that new members and others receive a comprehensive set of materials outlining the services available to them. An updated schedule of training courses and available technical reports should be provided to all members at regular intervals through the newsletter, and by special mailings if necessary.
- As an added source of revenue, evaluate the possibility of organizing a trade fair in Egypt, to focus on HEIA's core products and market interests.

3.4. Marketing Services:

Organization:

While this function appears on one version of the Organization chart, another shows no staff assigned to it. The function is listed in various HEIA documents as part of the Business Development operation, but it is clear that it has fallen by the wayside. HEIA does have arrangements with a service that provides market news information from Europe to members who subscribe, and it is reported that these members pay the full cost of the service. HEIA also obtains some information from Egypt's commercial attaches but there is no formal linkage to them.

Through overseas study travel and by participation in international trade fairs, HEIA has enabled its members to make valuable contacts and relationships with foreign buyers. Other valuable market linkages and ongoing networking have been established between growers and exporters who participate in the various crop councils. While these activities are important and valuable, they lack a strategic focus. Evidently, no staff has been assigned the specific responsibility of improving the marketing services that the association offers.

Value:

Members testified to the importance of these services in our meetings with them. They particularly need better, more timely market information, especially about crops other than grapes. They are interested in learning about the potential of markets other than Great Britain and the relatively few western European countries that HEIA has focused on to date. Some mentioned an interest in expanding to Asian markets and to upper echelon markets in other Arab countries, but they feel that they have inadequate information on such markets. The state that the market news provided by email would be more useful if it were delivered on a more timely basis.

Other Sources of the Service:

The UPEHC website contains market information but it is often not available. ALEB has provided HEIA with some useful export data, but the availability of that information is likely to be discontinued now that the project is ending.

Financial Considerations:

While payment for the email market news may have covered its direct costs, the charges that members have paid to participate in international trade fairs have probably not covered the full cost of this activity. In the future, the challenge will be to increase fees to cover the full cost of trade fair participation. Success in making these services pay their way is likely to depend on enhancing their value by: a) delivering more timely market information, and b) successfully linking exporters and

producers with a wider range of buyers who represent an increasing number of markets.

Future implications:

In the context of the National Strategy for Socio-economic Development in Egypt up to 2017, the Ministry of Agriculture and Land Reclamation is currently preparing a strategy for agricultural development for the period up to 2016/2017. The 6th “Pillar of the Strategy” focuses on upgrading the marketing system for horticultural crops whose annual production has recently amounted to 21 million tons through pursuing improved post harvest treatment and the establishment of wholesale horticultural product market information systems. HEIA needs to pay particular attention to the information generated by this initiative since, as the membership of HEIA increases and becomes more diverse with respect to crops to be exported, the requirements for market information will become more complex.

Recommendations:

- HEIA should assign clear staff responsibilities for developing and promoting its marketing services for its members.
- Provide the members with marketing price analyses, and quantity and quality requirements for commodities needed in additional foreign markets. HEIA could support the industry in Egypt through integrating information on the components of the market chain such as producers, prices, distribution channels and promotion.
- HEIA should establish clearer stronger links to the MOFT. An important starting place would be to convince MOFT to expand its regular commodity market information to include crops of interest to HEIA, rather than to report only citrus exports as is now done. Another useful activity would be for HEIA to participate in the orientation program of new commercial attaches. Also, HEIA members could meet with these attaches as part of their participation in overseas study tours.

3.5. Training Services, including Foreign Observation Tours:

Organization:

The training department has worked with USAID partners, Egyptian universities, the HRI, foreign experts, and other groups, as well as with staff of other HEIA departments, to coordinate training (see Appendix V for a more details). It has benefited from new leadership since mid-2003. The main strengths of the Training Department include a good capacity for organizing programs, a willingness to do the work required, and a good vision of how they can help the organization’s movement to sustainability. With the end of the DT2 project and ALEB, the association will not only have to be responsible for more of the financial aspects of training but they will also have to assume more logistical responsibility, including evaluation, unless they choose to outsource some of this work.

Value:

Sixty percent of HEIA firms estimate that because of the training they received in product and process improvement, their production as well as their income has increased. (2003 CSR). Members testified to the personal value of training with

respect to learning new skills and techniques. Training needs assessment seems to have been done at some levels of the organization (mostly through the councils). Responses to the surveys conducted by the membership services department have been minimal. There are numerous reports of classes not meeting the needs of all the participants. With regard to the study tours, some members attended basically the same program more than once, thus depriving other members of this valuable opportunity. Other study tours were less than successful because they included visits to farms which were of no interest to the participants or they were to a location (e.g., Brazil) with no expertise in the crop to be studied. For some programs, trainees are sent by growers who are members of HEIA. It is not clear whether they are being sent because they personally need the training or the grower is using participation in the training program as an incentive. In other cases, the training was not specific enough for the Egyptian setting or assumed the availability of technology not currently in use. A stronger evaluation program would also enable HEIA to document more closely and accurately its impact on the sector.

Other Sources of the Service:

The training department does not have a training capability as such but arranges for programs to be presented by others, including other HEIA staff. Some association members talked about the possibility of seeking these services elsewhere if the price through HEIA were to become too high.

Financial considerations:

The analysis in section 3.1 indicates that while fees have been increased, they covered only about half of the direct costs shown on HEIA books in 2003. If training costs borne by DT2 and others were taken into account, this would probably show that HEIA's fees have covered far less than half of the full direct costs. Managed properly, this service could pay its own way. However, the department will have to pay attention to all the details, including those which have drawn negative criticism such as poor translation services and for overseas programs, logistical arrangements such as travel and accommodations. Local training venues are too expensive in the minds of some members and stakeholders. There appears to be potential to save on facility costs when HEIA moves to its new building.¹⁷

Future implications:

The training manager is concerned about the professionalism of HEIA staff members who do training. He sees a real need for Training-of-Trainers programs to upgrade their presentation skills. This staff development might be an area for future donor support. There is a knowledge management issue within HEIA. People who go on tours, for example, do not always attend post-travel debriefing meetings so information is not disseminated as well as it might be from those who were the primary recipients. There has been more information-sharing from farm to farm, but there is still room for growth in this area. The critical area of farm management is not being addressed sufficiently in training programs, according to HEIA members. As farmers move to applying new technologies, they need very specific information. HEIA might want to explore how it can link members with technology and equipment providers so that some of this information can be disseminated. HEIA would not earn

¹⁷ Care needs to be taken that agreements with outside consultants include permission to tape and re-sell their presentations lest the organization become embroiled in costly intellectual property rights disputes.

any revenue from this service but it would reap benefits in terms of the goodwill of the members.

Recommendations:

- The membership department should identify new members' training needs when they first join the association. The training department should later follow up if the new member does not request to participate in training.
- Before anyone attends a training program or observational study tour, HEIA staff should review closely the content against the needs of the participant, as well as their previous training experiences. There needs to be a more thorough screening process of participants, especially for any programs subsidized by HEIA and/or an outside donor.
- The need for training in farm management was cited as a need by a number of members and would seem to be a potentially valuable topic which could become financially viable for HEIA. We recommend that HEIA investigate the most cost-effective ways of providing this training. It would seem that the Management Consulting Unit would be the appropriate location for such training if HEIA staff were to be the trainers.

3.6 Research and Development:

Organization:

Research and development is not an area that has been explicitly identified as one HEIA's functions, and there is no one person or group dedicated to it in the current organization. Nevertheless, two small research studies were conducted by HEIA. And the association plans to establish a "model farm" which would provide a venue for applied research. The Dutch are interested in funding the model farm for training purposes. Revenue from training at a model farm might subsidize some of the costs of research that could also be conducted there. There is consensus that any research conducted by HEIA must be of the applied variety. To be more active in this area, HEIA will have to partner and coordinate with the ARC, Universities, and perhaps UPEHC, as well as other partners.

Value:

HEIA has focused on what might be termed "high technology crops". Table grapes, strawberries, and similar crops require sophisticated technological support to be successfully produced and exported. HEIA's approach has been to follow the practices used in the U.S., Chile, and other countries that are technologically advanced in the crops of interest. However, the practices used in other countries often must be adapted to local conditions. Such adaptation can often be accomplished by simple trial and error on farms and in post-harvest handling facilities in Egypt. Sometimes, more difficult problems are encountered. At this point, more formal adaptive (applied) research is often required and can be of great value because it facilitates increased production or reduces costs. Sometimes, larger farm members of HEIA have carried out their own adaptive research, but the involvement of the association in this process could address the unmet needs of other members and be of great value many members.

Other Sources of the Service:

There are many sources of agricultural research in Egypt, including the 21 research institutes and central labs of the Agricultural Research Center and the Desert Research Center. Although part of its goal is “to help Egyptian exports to competitive markets” (HRI website), the Horticultural Research Institute’s work is not being connected to the private sector at this time, according to its Director.

Financial considerations:

It is not clear whether work in this arena would directly assist HEIA’s financial viability, even though it would be potentially beneficial to members and the sector as a whole. It might be possible, through its membership needs assessment process, to identify research needs members would be willing to support and to link with partners to provide them. AERI sponsors a **Biotechnology Competitive Research Grant** program. Request for proposals is open to all qualified Egyptian biotechnology researchers. To take advantage of this program HEIA would most likely have to team up with other groups.

Future implications:

If HEIA could build stronger relationships with the research institutions and break down some of the relationship problems between them and the private sector, this could be a valuable linkage for members.

Recommendation:

- HEIA should study and make a clear definition of its needs and objectives in the area of research and development, and specifically in applied and adaptive research. This process should be carried out before the organization proceeds with a “model farm.”
- To more strongly position itself within the sector, HEIA should establish good contact with organizations working in the area of research such as ARC, the National Research Center, (NRC), and Universities. HEIA also needs to coordinate with other partners and other stakeholders such as UPEHC.

3.7 Management Consulting:

Organization:

The title of HEIA’s Management Consulting Unit is misleading. Rather than providing more general management consulting services, it provides specialized EUREPGAP, BRC and similar standards-related training and consulting for members and others. The MCU has developed a staff of trainers that train farm managers and workers in hygiene, harvest and post-harvest handling, and in traceability record keeping. This is done through organized classroom presentations and on-site visits. Following the training and consultation process, the MCU arranges to have a European firm certify that the exporting company or farm is qualified, and to make periodic re-certification visits.

Currently, the MCU or other HEIA departments do not do any training or provide other support in what is normally known as “farm management”, which relates to the business and financial management of farms. Good farm management is an important aspect of producing high value crops for export, and it is an area that members identified to the team as being an unmet need.

Value:

Members stated that the support services in standards compliance that the MCU provides is very valuable to them because of exporter requirements. This is one of the most critical requirements for Egyptian farmers to meet as they move into producing for export. Even after members initially learn to comply and meet these standards, there will be a continuing need for the service in order to provide refresher training and keep them qualified.

Other Sources of the Service:

Some HEIA staff have left and set up their own company, in collaboration with a European certification company, to offer EUREPGAP-related training. Should this pattern continue with current staff, HEIA may find itself with more competition than it can handle.

Financial considerations:

Standards compliance support should be a continuing source of surplus revenues for HEIA. Revenues from the standard compliance work of the MCU appear to be covering far more than the direct costs of providing the service, although as discussed in section 3.1, it is difficult to be totally certain of this. These services need to be nurtured carefully, priced in a way that does not drive members away, and kept constantly up to date with respect to changing standards on the part of importers world-wide. As noted below, there is potential for expansion of the service, and this should imply an expanded stream of revenues.

Future implications:

Expansion of the need for the service will also accelerate after EUREPGAP compliance becomes obligatory for buyers in that group starting in 2005. Needs should also expand as HEIA members move into other foreign markets, since producers and exporters will also have to learn and comply with their requirements. Department staff will be required to learn about the new markets so they can teach members, and services will expand accordingly. There is also potential at present for exporting this training to other countries in the Middle East. This has already been done in Jordan and could be done elsewhere. As closely related issues such as traceability require more training, this unit would seem to be the appropriate resource. A growing diversity of consultants, both foreign and Egyptian, can be expected to compete to provide HEIA members with these and similar services, and the association will need to identify ways to strengthen their own staff to keep them competitive with other service providers.

Recommendation:

- HEIA should evaluate the need among its members for support in the area of farm management, and it should evaluate the financial feasibility of providing training or other support services in this area, through the MCU or other departments.

3.8. Quality Assurance:

Organization:

This nine-member unit is responsible for conducting third-party quality inspections required by the foreign buyers of HEIA members and other Egyptian producers' products. As a part of this activity, HEIA staff train many part-time inspectors to carry out this service for HEIA's core crops and, on occasion, for other crops.

Value:

Quality assurance activities are a critical service for members since it enables them to meet importer food quality and safety requirements, and thus helps to ensure the sale of their products. As the number of importers and import markets grows, there will be more and more need for this service.

Other Sources of the Service:

A few other private providers offer certification services at present. Some of the larger growers might be able to develop this expertise but it would not be cost effective for smaller growers.

Financial considerations:

While this will continue to be a surplus revenue stream for HEIA, with revenues covering direct costs and an appropriate share of overhead costs, it will also require spending to upgrade the HEIA staff and keep them current on requirements and standards. This will have to be factored into costs for services. As additional providers of this service appear, it might be cost effective for HEIA to outsource it while continuing to sell the outside provider's service to members at a suitable mark-up.

Future implications:

Since all exports to European supermarkets will have to be certified and the EU is scheduled to adopt a traceability provision on all imports on January 1, 2005, the demand for this service will increase significantly. As export crops expand in variety, there will continue to be a need for this service and it will expand commensurately with the market. HEIA staff will need to continually upgrade their knowledge and skills to provide what the market requires.

3.9 Field Services

Organization:

Field Services, also known as the Technical Department, provides field consulting services based on periodic visits to member farms, it engages in member training, and it holds workshops and field days. In organizing its programs and staff, and in arranging for visits from foreign experts, the department responds to requests that originate in the crop councils and are filtered through the Technical Committee. While foreign experts are in Egypt, Field Services assigns one of their own staff to accompany them, for their own training and to assist with translation and writing reports.

In addition to the manager, the field services staff consists of four senior "field consultants" and five agronomists. Generally, the agronomists have less experience and are learning on the job to become field consultants. Three of the staff specialize in table grapes production, one in mango production, one in irrigation and one in pest

management. Others split their time between grapes, mangoes, melons and cut flowers. They support farmers through various phases of production from choosing the variety through planting and harvesting. They give farmers an actual “written program” to assist their work. Currently there are no requests from the strawberry, cut flowers, or green beans councils.

Value

The Field Service department has played a vital role in transferring information on best practices in production and post harvest handling to HEIA members. This been essential in boosting the productivity and efficiency of members farms, and in enabling them to produce products that are acceptable for export. Most members value this service highly, although there is a divergence of opinion, evident in members’ written comments on the 2004 CSR, as to whether foreign or Egyptian experts are best suited to provide the advice they require. Some members report that HEIA’s local consultants do not command sufficient technical know-how, while others complain that foreigners simply do not understand Egyptian farming conditions well enough to make recommendations that can be implemented here. In the opinion of the evaluation team, it has probably been the effective combination of both Egyptian and foreign expertise that has made Field Services succeed.

Other Sources of the Service

As mentioned in other parts of this report, the Extension Service is not particularly strong in horticulture. As various sectors grow, seed, equipment, and technology providers may find it in their interest to provide more technical services gratis or at low cost to their customers.

Financial Considerations

In anticipation of the loss of USAID funds, this department has already raised the prices for their services. Recently, fees for use of the department’s own field consultants have been increased to LE 600 per day, and those of foreign experts to LE 1900 per day. The staff appears to think that these rates represent the full cost of providing these field visits. However, the evaluation team believes that these rates fall far short of covering the full direct costs and that without grant support they will have to be increased significantly. Based on comments of members interviewed by the evaluation team, we conclude that the demand for field services will diminish substantially if members are required to pay the full direct cost. There are options for economizing in the presentation of the Field Services, several of which are already being considered by HEIA staff. They are looking at re-alignment of work and identifying opportunities for more flexibility in their operations. For example, these services could be organized to deal with more producers in groups, and to reduce the number of consultant field visits. It is a foregone conclusion that fewer foreign experts will be used when full costs must be borne by the users. Nevertheless, to find ways to ensure that field service revenues cover costs poses a big challenge to HEIA. The manager of this group does not see outsourcing as an option, however, since he does not see how it could be economical.

Future Implications:

As HEIA membership increases and more farmers move into production of exportable crops, need for technical services should continue to grow. There are also more opportunities in areas currently underserved by HEIA such as Luxor, Ismailia, and

Minya. And the inclusion of additional crops under the association's umbrella would also expand the need. Should requests for these services increase, especially from crop councils not using the services at present, this group will have to add more staff. Donor funds have assisted in the training process of the staff in the past. However, without grant support it appears that it would be difficult to provide continuous training and updating of staff on current and new crops.

3.10 The HEIA Refrigerated Perishables Terminal:

To fill a missing component in the export of fresh horticultural products, HEIA decided to establish the Refrigerated Perishable Terminal (RTP) at the Cairo International Airport. After hard lobbying and efforts to obtain government land and then finance the LE 17.5 million construction costs, the terminal was completed in the summer of 2003 and has now been used for about a year. A detailed analysis of the terminal's performance is shown in Appendix VIII.

The Terminal is operated for HEIA by the Egypt Air Holding Co., with technical support from Lufthansa Cargo AG. Lufthansa Cargo set up the RPT's operational manual, the quality management system, and the staff training. The Terminal represents "one-stop-shop" service to all airlines through its cold storage and handling system that is synchronized with customs, product inspection and phytosanitary clearance procedures. ALEB also assisted with supporting resources such as maintenance manuals.

HEIA's analysis suggests that a fee of about LE 245 – 280 per ton will be required of users, to cover costs of operation, periodic equipment replacement, and loan interest and principal payments, plus a margin to generate a surplus for HEIA. A MOFT decree requires that all perishables shipped to Europe go through the terminal. Initially an Export Promotion Fund subsidy of LE 160 per ton has been received for shipments made through the terminal, and thus the users have paid only LE 85 per ton.

It appears that the surplus generated by the terminal during 2004 will be LE 1.3 million. However, analysis of the likely future viability of this project is complicated. The Team finds no reason to fault the costs of operation projected by HEIA. However, the future revenues projected by HEIA raise a number of issues. HEIA's original projections show the EPF subsidy continuing through 2015, but this is highly unlikely in the opinion of the evaluation team. As we understand World Trade Organization (WTO) rules, Egypt will be required to stop such subsidies after the end of 2004. HEIA staff indicated that the EPF payment is technically a tax refund rather than a subsidy. Several Board members told the team that they are in hopes that the payment will continue at least through 2006. In any case, ongoing GOE budgetary discipline makes it unlikely that the subsidy will continue for long. Thus, HEIA needs to plan to operate the terminal without subsidies, perhaps as early as January 2005.

When the export subsidy is eliminated, horticultural exporters will face paying the full use fee. LE 245 per ton is almost three times the current cost. Proven economic logic indicates that terminal use will be reduced if the fee is raised and its utilization made optional. The extent of the reduction depends on the price elasticity of the users'

demand (need) for the terminal. In turn, price elasticity depends on the alternative modes of shipment that may be available (e.g. ocean freight), and on the ability to pass higher costs on to import buyers.

Despite HEIA's thinking that there will be little if any decline in terminal use if the users must pay the full fee, the Evaluation team thinks that there will be a decline in use, at least initially. For planning purposes, we analyzed two scenarios. In the first scenario, we assumed that the EPF subsidy will end after 2004 and that users will be required to pay the full LE 245 fee starting in 2005. We further assume that this will cause a 40% drop in the use of the terminal in 2005. However, we also assumed that terminal use will expand at an annual rate of 10 percent after 2005, reflecting the strong growth that the horticultural export sector has recently demonstrated.

Analysis of the first scenario shows that HEIA would experience losses of about LE 3 million per year for 2005 and the first several years thereafter, but that these losses would begin to decline, due initially to the projected gradual recovery in use after 2005. The accumulated losses would reach LE 8.8 million by the end of 2008 but decline quickly thereafter due to continued expansion in use, expected drops in loan repayment costs and other factors. The analysis predicts annual surpluses increasing from over LE 1 million in 2009 and reaching almost LE 7 million by 2015. The net result would be an accumulated surplus of LE 18 million by that time.

In a second scenario, we assumed that the subsidy will continue through 2006 but that charges to users are increased in steps beginning in 2005. Under this scenario, some losses would still be experienced in 2007 and after, when the subsidy is discontinued and when users must pay the full fee. Nevertheless, the losses would be manageable, and that the RPT will eventually generate surpluses as HEIA has expected.

The analysis presented in both scenarios explored above is based on very limited information. It suggests that HEIA may face some problems with deficits in the RPT when the Export Promotion subsidy ends, and that these problems will be more or less severe, depending on user reactions to higher prices, depending on how soon the subsidy is actually discontinued, and depending on how HEIA manages the situation. Should the worst case scenario emerge, the situation could be very difficult for HEIA to deal with. Therefore, it is incumbent on the association to make a more careful analysis in order to get a clearer idea of what is likely to happen and to take action to ensure that a more workable situation develops.

Recommendation:

- It is recommended that HEIA immediately undertake a more detailed analysis of the financial viability of the Perishables Terminal. This analysis should include assessment of how much longer the export subsidy is likely to continue and a detailed evaluation of the likely user reaction to a dramatic increase in fees.

3.11 Conclusions:

The overall sustainability of HEIA depends first on placing its component services on a sound financial basis. A key element in this process will be accurately determining the need for its revenue-generating services and what the market will bear in terms of

fees. All of this will need to be done in the context of a clearly stated and realistic strategic plan. Any organizational re-structuring should be the objective of providing these services to members and the industry in the most cost-effective manner. It will also be critical to clearly identify indirect costs and factor these into fee structures. There appear to be a number of ways to economize, such as using less expensive facilities and outsourcing, and these will need to be explored no matter how much they might go against the established ways of doing the business of the association.

CHAPTER FOUR: THE SUSTAINABILITY AND FUTURE DEVELOPMENT OF HEIA

Currently, HEIA is struggling with the issue of how to become self-supporting and how to develop a more effective organization. Any remaining balances in the core grant funds will soon be used, and the organization now recognizes that it must be prepared to go ahead on its own resources. The board is planning a retreat to deal with this matter during the next few weeks. Management has been told to prepare a budget based on zero grant funds, to be used as a basis for discussion at this meeting. The Evaluation team was provided with a draft copy of this budget.

4.1. An Overview of HEIA's Financial Performance and Sustainability.

Since its inception, HEIA has relied heavily on grant support. This is seen most clearly in Table 4.1 on the following page, showing a summary of all of HEIA's revenues and expenses.¹⁸ The table shows totals for the five-year period 1999-2003,¹⁹ as well as separate figures for the years 2003, 2004²⁰ and 2005²¹ separately.

The analysis in Chapter 3 (Table 3.1) already demonstrated that HEIA's service fees have fallen well short of covering the direct costs of providing those services, and this is seen again in Table 4.1. In addition to service fees, HEIA also receives an initial membership charge and annual dues from its members. These fees are shown, together with interest, donations, and other miscellaneous non-services revenues, under Administration: Revenues in the table.

HEIA's total "administrative revenues" amounted to about LE 1.5 million in 2003 and are expected to be almost LE 1.3 million in 2004. However, in those years and in all preceding years, HEIA's administrative expenses were greater than its administrative revenues. This deficit in administration normally referred to as "overhead" or "indirect costs", would have to be made up by income generating services if it were not for the grants that HEIA has received. Without its USAID grant, HEIA's total deficit, including its net overhead cost and losses on services, was LE 10.5 million during the 1999-2003 time period. It is estimated that it will be LE 5.3 million in 2004, up from LE 4.8 million in 2003.

The USAID grant²² has more than covered these deficits, and this has generated a surplus of about LE 6.1 million. This surplus has helped make it possible for HEIA

¹⁸ This table does not include the Perishables Terminal, which is accounted for under a separate ledger. See Appendix VII and discussion in Chapter 3 for information on the Perishables Terminal.

¹⁹ Based on statements provided to the Evaluation team by HEIA.

²⁰ The full 2004 revenues and expenses were estimated based on the first eight months actual performance, as reported by HEIA.

²¹ Based on a draft budget prepared by HEIA staff. This budget has not been reviewed or approved by the Board of Directors.

²² The total grant of \$4.6 million was allocated to salaries (1.11 m), administrative expenses (0.68 m), program activities (1.3 m), observational travel (0.23 m), commodities (0.24 m), and technical assistance (1.01 m). In addition, the grant provided LE 1.3 million in Egyptian currency to purchase air fares for foreign observational travel.

The 2005 draft budget prepared by HEIA was designed to show how the association will need to operate without grants to support it. To get a clearer picture of what they now need to do, four additional cost centers (departments) have been created: Membership Services and the Councils Department have existed as departments previously but their budgets were a part of the overall administrative cost or overhead budget. The Food Processing Department was formerly a council, and the Luxor office was simply run out of overhead. Turning these departments and activities into cost centers has reduced the amount attributed to administration. According to the budget, all of these departments are expected to generate their own revenues.

At this stage it is difficult to assess how realistic the new budget is in a broad sense, but there are reasons to doubt its realism. Total revenues are projected to increase by 92 percent, which total expenses are projected to decline by 26%. It appears that this is to be achieved mainly by a combination of significant price increases and some economy measures. This great a revenue increase simply appears to be unreasonable given user indications that they would drop many services if prices are raised dramatically. The Team believes that HEIA still needs to do considerable additional work to devise a more realistic budget.

Strategies for Future Sustainability

The loss of core grant support will affect HEIA in many ways. Thus, HEIA's challenge is to determine how best to either increase its revenues or reduce its costs without having too great an impact on the quality of the services. There appear to be several alternatives to consider:

- Membership expansion.
- Increase of fees for services.
- Reduce costs by:
 - Elimination of inefficiencies.
 - Restructuring the way that services are provided.
 - Elimination of non-essential services.
- Develop new services, particularly surplus-generating activities.
- Fund-raising, including grants.
- Obtain the right to charge a fee on each unit of the target crops exported.

4.2. Expansion of Membership and Restructuring Membership Fees

HEIA has worked steadily since its inception to expand membership, with considerable success. Nevertheless, it appears that current membership falls short of including the majority of growers and exporters of the crops that HEIA covers. The association has not determined what percentage of the industry that they represent for each of the targeted crops. This would be a starting place for assessing potential membership expansion.

Recognizing differences in HEIA member needs:

In reality HEIA serves four distinct types of members: 1) exporters, 2) grower-packers who export on their own account, 3) grower-packers who sell through an exporter and 4) growers who do not have their own packing facility. These four types of members each have their unique interests; sometimes their interests conflict. Currently, HEIA does not do a good job of recognizing the differences in these groups. It would aid membership expansion and retention if the association were to identify the needs of each group and develop specific strategies for addressing them.

HEIA now covers only a few of Egypt's export crops. Thus, expanding to new crops offers large potential to generate new members. The caveat here is that HEIA must have services that interest these members. Past experience has shown that it is expensive and time consuming to develop trained field consultants to provide technical services for horticultural crops. However, other services such as provision of market information, provision of certain types of technical information or training, and holding crop forums may offer potential. The forum idea is discussed further below.

A good practice is to aim to have membership revenues cover all so-called overhead or indirect costs, including executive and administrative department salaries and expenses, and the cost of services such as advocacy for which it may not be possible to collect fees. If overhead can be covered in this way, then it is possible to offer fee-generating services for their direct costs, including salaries of the staff directly involved in providing them, plus a margin to generate a surplus to be used for emergencies, or in discretionary ways such as to underwrite the development of new services.

Change in membership fee structure:

To expand membership revenues it would appear to be logical to increase membership fees. In the opinion of the Evaluation team, however, HEIA's membership fees are already quite high, to the point that they discourage many potential members from joining. Access to inexpensive (grant-subsidized) services has induced many members to join despite the high cost. Without grant-supported services, HEIA is likely to lose members. Thus, this would not be an appropriate time to consider increasing its membership fees. To maintain or hopefully expand membership under current circumstances, it would be better for HEIA to consider reducing fees, at least for some categories of members.

In other countries, it is common for associations to establish sliding scales for membership fees. This means that larger members are charged higher fees. The association's current two-tier fee structure for full members and associate members is a form of this system, but fees for the associate category are still high for many medium size or smaller farmers.

One funding system used by some agricultural commodity associations is to establish a per unit fee (sometimes called a "toll charge" or a "check-off") for each unit of product that is exported. Depending on how they are structured, such fees may virtually become a tax that is collected by government and passed on to the association, and these could require special enabling legislation. An alternative, however, would be for association members who export to pay toll fees for each unit

(e.g. ton, quintal, or carton) that they ship.²³ This could be done on an “honor code” basis, rather than with force of government.

Smallholders and smallholder associations as members:

HEIA has already recognized that one way to expand membership would be to consciously seek smallholders. Some smallholder associations have already been allowed to join as associate members, and their individual members are not charged. It remains to be seen how many services these smallholders will use, or whether the revenues they provide will cover the cost of serving them. One of the USAID projects now operating under AERI may have an interest in sponsoring smallholder participation in HEIA, to ensure that they have access to HEIA services.

The inclusion of smallholders is a significant decision for HEIA and is one that should not be taken lightly. The association must recognize that this will probably make it necessary to restructure its services and organize them in a way that smallholders can access them conveniently. It will also require placing heavy emphasis on Middle and Upper Egypt, which poses the risk of diverting the association’s attention away from Lower Egypt, where most of the current members are located.

Recommendations:

- Establish a sliding scale structure for membership fees, so members pay according to the size of their business. Size could be measured by the number of employees.
- To provide additional funds for the association, and to avoid the need for membership fees that are excessive, consider establishing a “toll fee” or per box charge for each unit of product that is exported.
- The association’s approach to serving smallholders, the fees that should be charged, and how to participate with USAID partner projects on this, are topics that merit special evaluation by staff, for development of recommendations to the board. These are serious, strategic decisions that should not be taken without considering their full implications.

4.3. Increases in Service Fees:

As the analysis of individual services in Chapter 3 shows, HEIA’s services have been priced at well under their direct costs. The analysis indicates that, to continue to provide these services in the same form that they have been provided until now, it will be necessary for the fees charged for most of HEIA’s services to be increased by well over 100 percent, just to cover direct costs. If membership revenues do not cover overhead costs, or if other revenue-generating services can not cover their full costs, then service fees for some services must be increased even further, to cover those costs, too.

In the Evaluation team’s meetings with members, we discussed the possibility of increasing the fees for HEIA services and asked how they thought this would affect the amount of services they would use. Their answers naturally varied, depending on the

²³ Although such a toll charge would be paid by the exporter, it would be built into the importer’s cost of doing business and would ultimately be paid, at least in part, by the agricultural producer.

type of service and the type / size of member (exporter, large or medium size producer, full or associate member). For a doubling of fees, their responses can be summarized as follows:

- Foreign technical expert field visits: 75-100 percent decrease in use.
- Egyptian technical expert field visits: 90-100 percent decrease in use.
- Training: 30 percent decrease, perhaps more for longer courses.
- Quality control inspection: no change.²⁴
- EUREPGAP or similar certification: little or no change.²⁵
- Observational study tours: 90-100 percent decrease in use.
- Perishables Terminal: limited effect / could divert some to ocean shipping

These responses are obviously only indicative, but they provide a fairly convincing indication that increasing use fees by very much is likely to have a drastic impact on many of HEIA's services. Reduction in use of services of this degree would also be expected to cause a reduction in membership. Many of the members who were interviewed stated that they had joined mainly to obtain low cost services.

The responses that indicate there would be little change in use of quality certification for produce shipments or for GAP-type certification may be misleading. There are already a few private companies who provide these services in Egypt. Current HEIA users could switch to the private companies, if the association raises its prices to the point where other suppliers could compete favorably.

The results suggest that there would be a dramatic decrease in foreign observational travel and in the use of expert field visits. Undoubtedly, some larger growers and exporters would still be willing to use these services, but they also have the option to procure such services on their own,²⁶ if HEIA can no longer offer them at acceptable prices.

If the use of foreign experts is greatly reduced, this will have a negative impact on the quality of services provided by the Egyptian experts. This is simply due to the fact that most of HEIA's Egyptian field staff are still young and lack the experience that the foreign experts have. They are still in a period where they rely on the refresher training they receive with each foreign expert's visit.

Without foreign expert visits it will be far more difficult for HEIA to develop the expertise needed to expand to new crops.

²⁴ They stated that the exporter pays this anyhow, and he has little choice. (All attendees at the meetings where these questions were asked were producers. None were exporters.)

²⁵ Similar reasoning to *ibid*. In this case, however, farms do pay some of these fees.

²⁶ Some of the foreign horticultural experts who visited farms under the USAID grant have remained in Egypt to work for farms here. A few private Egyptian consulting companies have established relationships with these or other experts who, for a fee, visit periodically to provide advice. Since many HEIA members already know foreign experts who were brought in under the grant, they have the option of contacting these people directly and arranging for them to make consulting visits for a mutually agreed fee.

4.4. Reduction of Costs:

There are many ways to reduce costs. Some of the inefficiencies in HEIA's organization (overlapping staff responsibilities, ineffective work procedures) were noted above. Eliminating these and the staff that cause them would reduce costs.

Restructuring the way that services are offered is a key approach to cost reduction. There are many ways to restructure service, and the association is already working on some of these. For example, the Field Services department is already talking about having its consultants pay visits to groups or clusters of mid-size farms in the same area, rather than paying separate visits to each.

Other efficiencies may be gained by systematizing the procedures used by consultants in the field. For example, it should be possible to set up systems for such activities as soil moisture monitoring and insect counting, so that they can be carried out by technicians rather than highly skilled consultants. It may also be possible to deliver some types of test results or recommendations to farm owners or managers by fax or email, thus reducing the time that a consultant must spend in making contacts.

Another cost-saving approach is outsourcing some services. This is something that is already done for training. It could perhaps be done in other areas.

Inevitably, an organization that cannot cover its costs must eliminate some of the activities that cannot pay their way. The association recognizes this. Their provisional budget for 2005 has already eliminated Overseas Observational Travel, Gender activities, and Foreign Technical Experts.

Good cost accounting is an important means of identifying where and why costs are high. The association's cost accounting system is currently not organized as effectively as it could be for these purposes, and this needs to be addressed.

4.5. Development of Surplus-Generating Activities:

Most of HEIA's services generate revenues, but few if any generate a net income or "profit". Such surpluses can be used to cover part of HEIA's overhead or in other ways, to help the organization meet its objectives. One strategy that the association has identified to address its financial needs is to develop so-called "income-generating activities".

The Perishables Terminal is an example of this strategy, although the final viability of the Terminal is yet to be demonstrated. The issue of subsidized pricing of terminal services was discussed in 1.2.4 above.

HEIA is in the process of constructing a new building in 6th of October City, and some of the staff think that it has the potential to generate rental revenues, in addition to providing a less expensive site for HEIA offices and a space for training instead of using rental venues. However, the Evaluation team members were not provided with information on the financing or projected operations of the building.

The board, staff, and members all cite a number of activities in Middle and Upper Egypt that have the potential to generate a surplus for the association. The possibilities include a Perishables Terminal for the Luxor Airport, in addition to cold storage and packinghouses for the horticultural crops of that area. HEIA has made preliminary designs and pro-forma financial calculations for some of these.

In deciding whether or not certain surplus-generating activities should be established, care should be taken to ensure that they are consistent with a number of good practices. These would include:

- In almost all cases the activity or service should be one that addresses important member needs, although it is not necessary that all users be members.
- These activities must be based on careful studies that evaluate demand for the service, construction and operating costs, and financial viability to be sure that the activity will actually generate the needed surplus.
- Ensure that the service or activity cannot be more effectively supplied by a private business at a lower cost.
- Caution should be exercised before undertaking activities that would compete with the association's own members.
- It must be possible to organize the management and operation of the activity so that it does not divert the association from addressing its main goals and objectives.

Egypt Air has been contracted to manage the Cairo Airport Perishables Terminal, and Lufthansa has been hired as the association's consultant on this operation. This seems to be a viable management option, and it appears that that the association management has not been overly diverted from their main duties. The Terminal does address important member needs, and it is highly unlikely that an association member or other business could have organized such an enterprise. Nevertheless, it is still premature to be completely certain that the venture will succeed after the MOFT subsidy has been removed.

Decisions on HEIA's proposed Luxor Terminal and other handling facilities in Middle and Upper Egypt remain to be considered by the association. These decisions should be based on principles discussed above. HEIA needs the support of outside business management consultants in evaluating these decisions. The final decision on the Luxor Terminal should probably wait until it can be said that the Cairo Terminal has proven its financial viability; even then, the decision will need to take account of the many differences in Luxor and Upper Egypt compared to Cairo and Lower Egypt.

4.6. Fund Raising and Grants:

Fund-raising and grant development are often important sources of revenue to trade associations. HEIA has used this approach to generate revenues in the past and undoubtedly will wish to continue to do so in the future. The USAID core grant has been HEIA's main source of funding until now. MOFT grants for the Perishables Terminal are another example.

In those associations that depend on fund raising and grants, the planning for and seeking such funds is normally the responsibility of a trained, qualified staff member, with support from the board. It appears that HEIA's board of directors has been primarily responsible for obtaining grants in the past. In the future, fund raising would probably be more effective if it is assigned as a specific staff function, and if the staff develop the expertise to carry it out. This may require additional staff training and support from outside experts in the field.

Sound principles for fund raising:

The association must ensure that the activities funded in this way are consistent with the organization's overall goals and objectives. They must not divert the focus away from addressing HEIA member and industry needs first.

It must always be recognized that it is risky to place too much reliance on grants for an organization's 'core' budget. Similarly, it is risky to use grant funds to subsidize services in ways that distort the way a service is provided to the point that the service is unsustainable when the grant ends.

In some cases it may be appropriate to plan from the outset that some activities will be possible only with grant funding, and that they will end when the grant is completed, unless they become self-sufficient.

Funding for Foreign Experts and Observational Travel:

HEIA's success to date has relied partly on Overseas Observational Travel and on having access to foreign experts. The team's analysis has shown that continuation of these activities will be difficult to support at a meaningful level with membership and service fees. Yet these activities may be needed if the association is to develop technical expertise in new crops.²⁷ Some continuation of contacts with foreign experts would be preferable for staff refresher training, to maintain current capabilities.

To continue these activities, the association should consider obtaining support from partner activities within the USAID AERI project.

Given that much of the travel and most of the experts used in the past have come from countries other than the US, it would be logical for the association to seek some of the needed support from governments or private organizations of those countries. This might include countries such as the Netherlands, Great Britain, Germany, Chile and South Africa.

Activities in Middle and Upper Egypt:

Many of the activities under AERI focus on smallholders in Middle and Upper Egypt. EL SHAMS and other AERI activities have already expressed interest in accessing HEIA's technical experts and training capabilities. HEIA has already signed a Memorandum of Understanding with EL SHAMS.

²⁷ Crops to consider may include globe artichokes, okra, persimmons, capsicums, citrus, potatoes, sweet potatoes tomatoes, and cucumbers.

Expansion of membership and services to this area is one of HEIA's recognized objectives. Nevertheless, limited experience in operating the Luxor office has demonstrated that it will be expensive for the association to expand and operate in the area. In some regards, it faces a situation similar to that which was encountered when HEIA started in Lower Egypt eight years ago. Some form of grant support for the further development of the Luxor office, including staff training, service development planning, and of services for smallholders in that area would seem to be justified.

The Team's analysis indicates that current HEIA membership includes only a few smallholders. Thus, to serve AERI's client group the association will have to change its mode of operation. To some extent its services will have to be restructured to deal more with farmer groups. Even in a restructured form, it is unlikely that many smallholders would be able to bear the full cost of HEIA's current services.

To serve smallholders well, HEIA's concept of membership must be broadened to permit effective incorporation of smallholder as members. This topic was already addressed above.

There appear to be ample grounds for some form of continued USAID support to HEIA, and it appears to the Team that funds for such support already exist in the partner activities of AERI. The Chemonics activity, for example, is designed to provide grants to associations. EL SHAMS also has funds for training and has already provided some support to HEIA.

4.7. Recommendations:

- Create a financial development task force or committee to include both members and staff with one staff person assigned to coordinate the staff work. This group would assemble all the materials to "tell the HEIA story" to potential financial supporters. It should identify specific current services HEIA provides such as EUREPGAP training, quality control assistance, the Mubarak-Kohl school, etc. as well as new initiatives which could be enhanced by outside support. It should also include business cases which justify support at present and how HEIA will sustain the effort without support. It should research which donors might favor certain efforts and what would be the best way to "make the case" for their support. It should also include researching what other programs currently exist, funded by the various donors which could benefit HEIA members even though HEIA might only provide a linking role.
- To support the financial development task force, HEIA could contract with an outside business consultant who is versed in both sound agribusiness and association practices. Use this consultant to go through each service that HEIA offers to analyze existing and potential user demand, the prices that users would be able to pay, and HEIA's cost of providing these services. Also consider how costs might be reduced by re-structuring the way that services are offered.
- With the support of the outside business consultant, also analyze new services that HEIA might offer. These would include possible surplus generating activities like the proposed perishables terminal or packing and storage facilities in Upper Egypt. It would also include expanded provision of market information and market development. Other items to be evaluated include

farm business management consulting and analysis of farm production costs for members or non-members.

- HEIA must improve its system of cost accounting. This could be done with the assistance of an outside business management consultant, perhaps the same one who assists in the areas noted above. The association must develop a clear idea of the costs of providing each of its services, and it must become more accurate in attributing revenues to the appropriate service. It also needs to get a clearer picture of its indirect costs so that it can determine more precisely what indirect charge multiplier, if any, it must use in setting the cost of individual services.
- The matching grant approach has special merit. Examples of how this might work would include HEIA approaching stakeholders such as seed or equipment companies to match either contributions by larger members or “discounts” provided by HEIA to small growers for membership fees and/or “scholarships” for participants in training.
- The association should also consider holding crop forums for export crops not already covered by HEIA, such as artichokes and citrus fruits. Those attending would pay a fee that would cover costs, such as LE 100 for a one day forum, or whatever it takes to cover costs. Such forums would have several objectives. They would provide those attending with the opportunity to network with other producers and exporters in their same product, and a chance to air the problems associated with the production and export of the crop. Those non-members who attend would have the chance to learn about HEIA, and it would give HEIA the opportunity to learn more about the issues that production and exports of these crops face. Thus, it would provide a way for HEIA to assess potential new crops and customers for its services.
- For sustainability some stakeholders recommend that HEIA move to a chapter organization structure, based on geography. This suggestion has the merit of facilitating services which are more relevant to the different areas. At present, the majority of HEIA members are from Lower Egypt and a number of them are moving well along in terms of upgrading their horticultural practices to meet export standards. Farmers in other parts of the country may need much more elementary information and services.
- Another possibility for future support of HEIA would be for EL SHAMS to provide its small holder constituency with vouchers which could be redeemed for participation in HEIA training as appropriate, or from other providers that may provide suitable training. Vouchers could also be used to give smallholders the right to use of HEIA business services, such as packing or storage facilities that the association may eventually establish in Upper Egypt or elsewhere. Giving consumers this option assures some market competition around quality and relevance which are critical factors for HEIA’s sustainability.

CHAPTER FIVE: SUMMARY OF CONCLUSIONS AND MAJOR FINDINGS AND RECOMMENDATIONS

5.1 HEIA's Achievements and Impacts:

During the past five years HEIA has made significant accomplishments in expanding its membership, in staff development, in technical support, in training, and other services provided to its members. It also succeeded in establishing the Refrigerated Perishables Terminal (RPT) at the Cairo Airport. The combination of all of these factors has contributed to the significant expansion of Egypt's horticultural exports.

In conducting these activities HEIA has relied not only on its core USAID grant but on extensive support from and coordination with other partner projects, as well as stakeholders such as MOFT and MALR. A significant amount of training and observational study travel was provided to HEIA members under the DT2 project and ALEB, in addition to that which was funded from HEIA's own grant budget.

Membership:

HEIA expanded its membership by 76 percent between 2002 and 2004 and now has about 380 members. Most of the growth has been in the *associate* member category. Associates pay lower membership fees and have not had access to HEIA's full range of services.

HEIA's exporters tend to be large, and most of HEIA's farm members are large and mid-sized from Lower Egypt. The farm size of many growers is in excess of 100 feddans. The Team concludes that HEIA is mainly an organization of large and medium growers and exporters, with very little representation of smallholders. However, two recent associate members to join HEIA are Upper Egypt smallholder associations.

Training:

A total of 95 seminars and workshops provided *training on technical production and post harvest handling practices* over the past five years. Based on sample data, the evaluation team estimates that there were over 4500 participant-days of training provided in these courses.

Training to attain compliance with international standards, particularly EUREPGAP and BRC, has been an important part of the training program. HEIA has exceeded its own targets in the numbers of members and member employees trained in virtually all categories where these existed, as well as in the few cases where such targets were specified in the USAID grant.

Members report that participation in *observational study tours* organized through HEIA was a very valuable source of learning and technology transfer. During 2000-2004, a total of 456 member-visits were made in the course of 31 trips to nine countries. These trips were based on requests initiated in HEIA's crop councils and approved by HEIA's board of directors. The Team concludes that these study tours have been extremely valuable to HEIA and the horticultural export sector, but most participants have been HEIA's larger full members rather than mid-size and associate members.

Staff Development:

HEIA now counts a staff of some 67 employees. This includes some 30 persons who are in technical specialties, including field consultants, supporting agronomists, international standards compliance specialists, and quality control inspectors. Many of these technical specialists have received highly specialized on-the-job training. The field consultants and agronomists have worked closely over a number of years with visiting foreign experts, and they have received local and international training. These employees have been trained at a considerable financial cost to HEIA and represent a unique and valuable form of human capital to the association and the industry it serves.

Field Services, Quality Assurance, and Standards Compliance:

HEIA's system of arranging *technical assistance visits by international horticultural specialists, acting in conjunction with HEIA's own staff experts*, is widely credited for enabling members to implement the production and post harvest practices that are required for export. The number of consultants and farms covered by their visits has generally exceeded the objectives set in HEIA plans.

HEIA has developed a competent Quality Assurance department to *certify quality for foreign buyers* and another department (MCU) to support producers and exporters in complying with foreign buyers' food safety and hygiene standards. These departments have been instrumental in helping members produce and ship products that are suitable for export.

Impact on Exports:

To evaluate HEIA's impacts on horticultural exports, the Team assembled data on horticultural and other agricultural exports over the last 10 years. During the period after HEIA became active, the export of three of HEIA's core crops (grapes, strawberries, and cut flowers) expanded dramatically, and the other three also improved markedly, compared to the earlier period.²⁸ For the six association crops taken as a whole, the total volume of exports increased by 93 percent to 108 percent. This is more than three times the 24 percent to 32 percent increase registered for all other horticultural exports. The 2004 CSR also shows that employment in HEIA member farms and businesses increased by 13 percent from 2002 to 2003.

It would be a mistake to say categorically that these accomplishments are simply the result of HEIA. Most of the association's crops were given a head start by the ATUT project, and HEIA has relied on the support of many partners and stakeholders to achieve its goals. These considerations notwithstanding, we believe that HEIA did play an important role in expanding the export of the noted crops. A significant number of members interviewed by the evaluation team indicated that they would not have been able to venture into horticultural exporting without HEIA. Some said they would not be able to continue without the services provided by the association.

²⁸ This interpretation is based on the 1998-99 to 2002-03 comparison; since the data for 2004 is still incomplete, it is difficult to draw firm conclusions about the comparison based on the 2003-04 biennium.

5.2 Organizational Structure of HEIA and Coordination of Services

HEIA does face some significant organizational challenges. These are reflected in the high turnover of the Executive Director and of other staff over the years. There have been numerous conflicts between the executive directors and the board, many of which can be attributed to the board's tendency to micromanage the staff. The committee structure and its relationship to the staff help to create this situation. The action item from the January 2004 strategic planning meeting to develop an authority/responsibility matrix for board/staff working relationships is not expected to be completed for three more months, even though it was supposedly begun in January 2004.

There is concern that this Board may not have the willingness to take HEIA into the arena of self-sustainability, but rather would be satisfied to keep it a donor-dependent organization. The leadership succession practices lend a lack of transparency to the organization and give the impression to staff, stakeholders, and some members that HEIA is a closed club.

The crop councils allow members to take an active role in the governance of the organization. However, the effectiveness of any particular council depends on the activity and expertise of the chairman, and this is not always consistent. This situation points to a major difficulty within HEIA. The member volunteers continue to carry out a significant amount of work which one would expect the staff to be doing, at least in an organization at this stage of its development.

The inefficiency within the organization is at least partly attributable to overlapping in the functions and responsibilities of different departments. As new services have been added, it seems that little attention has been paid to the most efficient ways of structuring the organization to provide those services. Because there has been no effective monitoring and evaluation or cost accounting, it is difficult to assess whether HEIA management have been good stewards of the various donor funds or not.

Recommendations:

- Hire a full-time Executive Director ASAP. Clarify in writing the differentiation of his/her roles from that of the Board. Given the difficulties between the Executive Directors and the Board over the years and observed and reported to the evaluation team through the interviews, this is a critical step towards sustainability and credibility.
- Although some members of the Board have participated in Board training, it is advisable to have more do so, based around the matrix referenced above and including the Executive Director. The product of the training should include a workable executive policy to which all will commit. This policy should focus on the Board's role in formulating the vision and strategy, with day-to-day operations left to the Executive Director.
- Review the core business processes of the association such as consultant visits from a process improvement point of view. It should also identify functions that could be effectively outsourced, such as travel arrangements for members and consultants.

- The Training Department, Management Consulting Unit, the Quality Assurance Department, and the Field Services Department should look at their processes together to identify ways to streamline and coordinate their efforts. Some consolidation may be in order.
- HEIA should develop explicit responsibilities and more efficient procedures for monitoring and evaluation as well as internal auditing.
- HEIA should identify additional ways of informing firms of the HEIA advocacy efforts and providing venues and opportunities for member involvement in the advocacy process.
- Provide the members with marketing analyses, including the quantity and quality requirement and the range of prices of the commodities needed in different markets. HEIA should be proactive in seeking to help member exporters broaden their markets beyond England and several other European countries. Recent experience with citrus suggests that some Asian markets should also be considered.
- HEIA should establish stronger links to the various ministries, especially the MOFT. One possible activity would be for HEIA to participate in the orientation program of new commercial attaches. Another would be for HEIA members to meet with those attaches as part of their participation in overseas study tours.
- There needs to be a more thorough screening process of training participants, especially for any programs subsidized by HEIA and/or an outside donor. Before anyone attends a training program or observational study tour, HEIA staff should review closely the content against the needs of the participants, as well as their previous training experiences.
- Members report that farm business management is an area where they need support. We recommend that HEIA investigate the most cost-effective ways of providing farm management training and possibly as a business consulting activity.

5.3 Financial Sustainability of HEIA and its Services

HEIA does not have a well developed cost accounting system, and its financial accounts do not permit an analysis all of the association's individual services. To the extent that separate departmental counting is available, the costs for some departmental functions have been assigned to another department's costs. Thus, for some departments costs or revenues are understated while for others they are overstated.

Service Revenues Do Not Cover Costs:

Despite the noted limitations in accounting, the overall picture of HEIA's service costs and revenues that appears from the team's analysis is convincing: overall, HEIA's service revenues cover only 25 to 30 percent of the direct costs of providing the service. If the direct staff costs and a share of overheads or indirect costs were added to direct costs as currently reported, the coverage ratios would be far lower than this.

Some services, namely quality assurance inspections and supporting members on compliance with international standards do appear to be generating surpluses in the sense that revenues appear to cover more than direct costs. However, revenues from other important services such as field consulting have been far less than the 25 to 30 percent coverage of direct costs noted above.

When the Team asked groups of members what would be their reaction if HEIA were obliged to increase the current prices of its services by 100 percent, they indicated that the demand for most services would decrease, particularly that which is demanded by smaller growers. Others indicated that without services they could afford, they might drop their membership. For some services, such as technical assistance from foreign experts and local consultants, they said they would reduce the amount they use on their own and possibly share the service with neighboring members. They indicated that they might be forced to rely on lower-quality technical assistance, or use other private sector service providers where available. They also said that their use of some services (i.e., quality control inspection) might continue in the face of service price increases as long as they have no other choice of provider.

Overall Financial Sustainability:

While most of HEIA's services have not covered their direct costs, the USAID grant has subsidized the provision of these services for the past six years, and it has enabled the association to generate a surplus of LE 6.1 million during that time. This surplus has helped make it possible for HEIA to operate the Perishables Terminal (working capital) and to construct an office and training building in Sixth of October City (as yet incomplete).

HEIA's staff have developed a draft budget to explore how the association will operate without grants to support it. This budget shows HEIA operating at a deficit. According to the budget, most of the key service departments are expected to generate the revenues to cover their direct costs. At this stage it is difficult to assess how realistic the new budget is, but there are some reasons to doubt its realism.

Total revenues are projected to increase by 92 percent, while total expenses are projected to decline by 26 percent. It appears that this is to be achieved mainly by a combination of significant price increases and some economy measures. This great a revenue increase simply appears to be unreasonable given user indications that they would drop many services if prices are raised dramatically. The Team believes that HEIA still needs to do a considerable amount of additional work to devise a more realistic budget.

HEIA must develop strategies for covering both the direct costs of providing services and indirect (overhead) costs, such as the costs of administrative staff and basic facilities. A good practice for associations is to develop enough revenue from membership fees to cover the entire cost of overhead.

Recommendations:

- HEIA must go through each service that it offers to analyze existing and potential user demand, the prices that users would be able to pay, and HEIA's cost of providing the service. Also consider how costs might be reduced by restructuring the way that services are offered.

- The association must improve its systems of cost accounting and monitoring and evaluation. In addition to individual service costs, the association needs to get a clearer picture of its indirect costs so that it can determine more precisely what sort indirect charge multiplier, if any, it must use in setting the cost of individual services.
- HEIA must consider additional ways to expand membership. Make a detailed market analysis of potential new members that it could reach. In the opinion of the Team, HEIA's membership fees may be too high, and the association should consider lowering fees to attract a larger number of members.
- Evaluate establishing a sliding scale structure for membership fees, so members pay according to the size of their business. Size could be measured by the number of employees.
- To provide additional funds for the association, and to avoid the need for membership fees that are excessive, consider establishing a "toll fee" or per box charge for each unit of product that is exported.
- The association's approach to serving smallholders, including the fees that should be charged, is a topic that merits special evaluation by the staff in order to develop recommendations to the Board. These are serious, strategic decisions that should not be taken without considering their full implications.
- A full range of cost reduction alternatives must be considered. This will include restructuring services so that they may be offered at a lower cost and eliminating services that cannot be reorganized to cover their costs.
- In dealing with the issues outlined above, it is recommended that HEIA consider contracting with an outside business consultant who is knowledgeable of sound business and association practices.

Avoiding the Loss of Valuable Services:

To the team, it appears unlikely that HEIA will be able to provide some services if their full direct costs are to be covered with user fees. Services that are in jeopardy include some types of training, foreign expert visits and overseas observational travel. It may also be necessary to cut back on the services of HEIA's own field consultants and agronomists, since the full cost of these experts would be more than many members can afford, at least as the services are now structured. Even if ways are found to restructure local field consultant services so that they are affordable to most members, it is unlikely that the association will be able to afford to continue staff development if it must pay all training costs from its own revenues.

The loss of these services, particularly the training and the local field consulting services, would represent a real blow to HEIA and its members, since it will be difficult to sustain the accomplishments of the past eight years without them.

There appear to be ample grounds for some form of continued USAID support to HEIA, and it appears to the Team that funds for such support already exist in the partner activities of AERI. The Chemonics activity, for example, is designed to provide grants to associations.

Recommendations:

- To continue these activities, the association should consider obtaining support from partner activities within the USAID AERI project, particularly in the areas of foreign expert visits, overseas observational travel, and continued staff development.
- Given that much of the travel and most of the experts used in the past have come from countries other than the US, it would be logical for the association to seek some of the needed support from governments or private organizations of those countries. This might include countries such as the Netherlands, Great Britain, Germany, Chile and South Africa.

5.4 Activities in Middle and Upper Egypt

HEIA aims to expand its membership and services to Middle and Upper Egypt because this area offers a warmer climate and earlier growing season, which promises to expand the market window for horticultural exports. The association has already opened an office in Luxor. Experience with this office has demonstrated that it will be expensive for the association to expand and operate in the area. In some regards, it presents a situation similar to that which was encountered in Lower Egypt eight years ago. Some form of grant support for the further development of the Luxor office, including staff training and service development planning, is likely necessary if HEIA is to operate effectively in the area.

Many of the activities under AERI focus on smallholders in Middle and Upper Egypt. EL SHAMS has interest in HEIA's technical experts and training capabilities and has already contracted for some services.

To effectively meet the needs of AERI clients and other smallholders in the area, HEIA's services will have to be restructured to deal more with groups, and to overcome the logistic problems posed by farmers who may be illiterate or have limited access to transportation. Even in a restructured form, it is unlikely that many smallholders would be able to bear the full cost of HEIA's current services.

Recommendations:

- As a means of giving smallholders access to HEIA services, consider having EL SHAMS provide its clients vouchers which could be redeemed for participation in HEIA training or from other providers that may provide suitable training. Vouchers could also be used to give smallholders the right to use HEIA business services, such as packing or storage facilities that the association may eventually establish in Upper Egypt or elsewhere. The smallholders should be required to pay a part of the cost of the voucher, and this portion should increase with time.
- Decisions on HEIA's proposed Luxor Terminal and other handling facilities in Middle and Upper Egypt remain to be considered by the association. These decisions should be based on principles discussed in the body of this report. The support of an outside business management consultant may be useful in evaluating these decisions. The final decision on the Luxor Terminal should wait until it can be said that the Cairo Terminal has proven its financial viability. The decision will also need to take account of the many differences in Luxor and Upper Egypt compared to Cairo and Lower Egypt.

- Some stakeholders suggested that HEIA move to a chapter organization structure, based on geography. This suggestion has the merit of facilitating services which are more relevant to the different areas. At present, the majority of HEIA members are from Lower Egypt, and a number of them are moving well along in terms of upgrading their horticultural practices to meet export standards. Farmers in other parts of the country may need much more elementary information and services.

5.5 Refrigerated Perishables Terminal

The RPT already has proven to be a valuable link in exporting perishables by air. Furthermore, the terminal appears to have the potential of generating surplus revenues that might help cover deficits in other HEIA activities. However, the near term financial viability of the terminal is subject to certain doubts.

During the terminal's first year, shipments have been somewhat over 40,000 tons, which is in line with what HEIA projected, and it appears that the surplus generated by the terminal during 2004 will be about LE 1.3 million, which is also in line with projections.

Analysis of the likely future viability of this project is complicated. Initially an Export Promotion Fund (EPF) subsidy of LE 160 per ton has been received for shipments made through the terminal, and thus the users have paid only LE 85 per ton, or about 35 percent of the fee. HEIA's original projections had the subsidy continuing through 2015, but in the opinion of the Team this is unlikely under current World Trade Organization (WTO) rules. HEIA now indicates that the EPF payments are technically tax rebates and not subsidies, and the Board hopes that the payments will continue at least through 2006.

When the export subsidy is eliminated, horticultural exporters will face paying the full use fee. LE 240 per ton is almost three times the current cost. Proven economic logic indicates that terminal use will be reduced if the fee is raised and the forced utilization removed, and the Evaluation team thinks that there will be a decline in use, at least initially. For planning purposes, we evaluated two possible scenarios.

Analysis of the first scenario, in which the ESF payments would end after 2004, shows that HEIA would experience losses of about LE 3 million per year for 2005 and the first several years thereafter, but that these losses would begin to decline, due initially to the projected gradual recovery in use after 2005. The accumulated losses would reach LE 8.8 million by the end of 2008 but decline quickly thereafter and begin to generate respectable surpluses.

In a second scenario, we assumed that the subsidy will continue through 2006 but that charges to users are increased in steps beginning in 2005. Under this scenario, some losses would still be experienced in 2007 and after, when the subsidy is discontinued and when users must pay the full fee. Nevertheless, the losses would be manageable, and the RPT would eventually generate surpluses as HEIA has expected.

Both scenarios explored above are based on very limited information. It appears that HEIA may face some problems with deficits in the RPT when the Export Promotion subsidy ends, and that these problems will be more or less severe, depending on user reactions to higher prices, how soon the subsidy is actually discontinued, and how HEIA manages the situation.

Recommendation:

- HEIA should immediately undertake a more detailed analysis of the financial viability of the Perishables Terminal. This analysis should include an assessment of how much longer the export subsidy is likely to continue, and a detailed evaluation of the likely user reaction to a dramatic increase in fees.

5.6 Lessons Learned for USAID

There are lessons to be learned for USAID in its experience with HEIA. It is clear that HEIA, with substantial grant support and assistance from other USAID partner activities, has been instrumental to the process of expanding the production and export of a limited number of high value crops. Now that the grant and partner activities have ended, however, HEIA faces a struggle. It must now find ways to continue its services with drastically reduced levels of outside support.

It is clear to the evaluation team that USAID urged HEIA's Board and staff, at an early stage, to increase service fees to a level that would cover costs. While HEIA has increased its service fees year by year, the increases simply have not been enough to come near to covering costs. The organization now faces a situation where the fees for most services would have to be increased by well over 100 percent, and this would place them out of the reach of many members.

This situation can be partially attributed to the fact that HEIA does not have a viable system of cost accounting. Thus, it has never been very clear what the full direct costs of individual services are, nor has there been any attempt to determine what multiplier would need to be used to cover indirect costs. While USAID has insisted that HEIA must learn to cover its costs, it has not taken the logical step to require that the association establish a system that would enable it to understand what those costs really are.

Another facet of the problem is that many of the services that HEIA has been encouraged to develop – encouraged by the grant and by generous support of the partners – have been high cost services. Foreign observational travel and visits by foreign experts are inherently expensive, and it is unrealistic to think that a majority of HEIA members would be able to pay the full cost of such services.

In the future, USAID may wish to consider structuring grants so that they elicit the desired performance. If covering full cost is to be achieved by a certain target date, then added funding at steps along the way should be dependent on closing in on that target. This would naturally require that the recipient have an accounting system that shows what fees are actually needed, and allows timely measurement of performance.

If service activities are to be offered that cannot be expected to pay their own way, and if both parties wish for them to continue after the end of the grant, then it may be advisable to include a matching component in the grant that encourages the grantee to develop other outside sources of funding at an early stage, rather than waiting until the grant is completed.

In concentrating its efforts on HEIA, USAID has targeted high value export crops. This was an intentional, strategic decision, and it has succeeded thus far. But it remains to be seen whether this approach is sustainable, since it has relied so heavily

on HEIA, which is now in a struggle for its survival. USAID should now reconsider whether it is wise to focus resources on a relatively narrow sector – one that currently represents only about two percent of total agricultural exports.

APPENDIX I: BIBLIOGRAPHY

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- Quarterly Report January - March 2004, May 2004
- Quarter Report: October - December 2003, December 2003
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- Quarter Report April - June 2003, July 2003
- Quarterly Report January-March 2003, April 2003
- Quarterly Report October - December 2002, January 2003
- Quarterly Report July - September 2002, October 2002
- Quarterly Report April - June 2002, July 2002
- Quarterly Report January - March 2002, April 2002
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- Quarterly Report July - September 2000, October 2000

II. HEIA Reports on Targets and Achievements:

- Quality Assurance Department “Targets and Achievements (2000-2004)”
Objective 1: Assisting the Horticulture Industry to meet World Quality Standards.
- Councils Department “Targets and Achievements (2000-2004)”
Objective 2, Volume I: Introducing new Technology to the Egyptian Horticultural Industry.
Objective 4, Volume II: Leading Horticultural Community Development
- Technical Department “Targets and Achievements (2000-2004)”
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- IT & Business Development Department “Targets and Achievements (2000 – 2004)”
Objective 3: Sustainable Industry Leadership.
- MCU Department “Targets and Achievements (2002 – 2004)”
Objective 1: Assisting the Horticulture Industry to meet World Quality Standards
Objective 4: Leading Horticultural Community Development
- Membership Services Department “Targets and Achievements (2002 – 2004)”
Objective 3: Sustainable Industry Leadership.
- Training Department “Targets and Achievements (2002 – 2004)”
Objective 1: Assisting Horticulture Industry to Meet World Quality Standards
Objective 3: Sustainable Industry Leadership

III. HEIA Newsletters:

- Newsletter – April – June 2004/ Issue No. 25, June 2004
- Newsletter – January – March 2004/ Issue No. 24, March 2004
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IV. Additional HEIA Documents:

- HEIA “Membership Directory 2003”
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- HEIA Training Activities Report January 2000 – June 2004
- HEIA Achievements in the Field of EUREPGAP Training
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- HEIA Strategic Action Plan Update 2004- 2005
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- HEIA SAP for the Period from Oct. 2001 to Sep. 2002, October 2001
- Reporting Period: 1st July 2001 to 30 Sept. 2001 / Modification No. 6, September 2001
- Action Plan for the Year 2000-200, December 1999

V. Other Documents:

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- “Monitoring and Evaluation Review 2001”, July 29, 2001.
 - “Client Satisfaction Review 2002, HEIA’s Report”, June 2002.
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 - Southern Africa Global Competitiveness Hub, “Roadmap for Improved Horticulture Export Competitiveness in Malawi, Mozambique, Tanzania and Zambia” April 2004

APPENDIX II: INTERVIEWS CONDUCTED

Horticultural Export Improvement Association (Board of Directors/Trustees/Former Board Members)

Name	Title
Bahey Eldin El Baroudy	Chairman
Sherif El-Beltagy	Vice Chairman
Alaa Diab	Board Member
Nabil Yacoub Ibrahim Bekhit	Board Member
Salah El-Din Youssef Gad	Association Founder
Ayman Korra	President, CONSUKORRA

Horticultural Exports Improvement Association (Staff)

Wael Rafea	Deputy Executive Director
Mohamed El-Nawawy	Financial and Administration Manager
Abd El-Mohsen	Projects Manager
Nada El-Tantawy	Publications and Public Relations Manager
Monir El-Shazly	Business Development and Training Manager
Yasser Farouk	Project Manager- Management Consultancy Unit
Amr El-Hawary	Membership Services Manager
Ayad Thabet	Upper Egypt Office Coordinator
Nezar Essam	Crop Council Coordinator
Rafik Hamdy Mohammed	Council Coordinator
Kelly Harrison	Consultant

Horticultural Exports Improvement Association (Members)

Said Fathy	Managing Director, Sherine Farm
Samer El Ganouny	General Manager, Egyptian Association for Agricultural Exports
Mohiey Batanouny	Project Director, ETRACE
Ezzeldin Elnattar	Director of Sales and Marketing, Export Gateway online
Husam El-Din Awad	Managing Director, Fruitex
Alaa A. Borhan	Chairman, STADCO
Mohamed S. Wahdan	Executive Director, EAN Egypt
Mohamed Maher El Maghrabi	Managing Director, The International Co. for Pack and Ref.
Mohamed ElAnsary	Professor, Al-Azhar University
Mahmoud Mabrouk	HEIA Member
Mohamed Aly	HEIA Member
Ms. El Sawy	HEIA Member

United States Agency for International Development

Gary Robbins	Acting Division Chief Competitiveness and Agricultural Development Division
John Morgan Adly Osman	Program Impact Officer Project Management Specialist, CAD Division
Tarek Shata	Project Management Specialist, CAD Division

Agricultural-Led Export Businesses

Peter Thatcher	Chief of Party
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Agricultural Exports and Rural Incomes (Dairy and Livestock Activity)

Hussein Raafat Ahmed	Director of Operation
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Agricultural Exports and Rural Incomes (El-Shams Activity)

Tom Herlehy	Chief of Party
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**Agricultural Exports and Rural Incomes (Support to Agricultural Trade Associations
and Smallholder Groups Activity)**

Larry C. Morgan	Chief of Party
Hani El Kolaly	Senior Trade Association Specialist
Nadia M. Moustafa	

SEKEM Group

Helmy Abouleish	Managing Director
Yasser Nassar	Business Development Director

Institute of International Education

Sarah M. El Ayashy	Training Manager, DT2 Project
Gehan Abdel-magied	Evaluation Consultant, DT2 project

Horticultural Research Institute

Assem D. Shaltout

Professor of Pomology and Director of
Horticulture Research Institute

Union of Producers and Exporters of Horticultural Crops

Ayman F. Abou Hadid

Chairman

Results Reporting Support Activity

Mamadou Sidibe
Heather Dale

Evaluation and Assessment Team Leader
Policy Studies Team Leader

APPENDIX III: SCOPE OF WORK

The Contractor shall be responsible for conducting a comprehensive end of activity evaluation of the Horticultural Export Improvement Association (HEIA) grant, EG/CAD/GTG. The contractor shall provide all resources, which shall be provided by the Results Reporting Support Activity (RRSA), Contract # GS-10F-0185K.

A. ACTIVITY TO BE EVALUATED

Activity Title:	Horticultural Export Improvement Association- HEIA Grant # 263-G-00-96-0073-04 of the Growth Through Globalization Results Package #263-0264
Period to Be Evaluated:	February 1999 through July 2004
Activity End Date:	December 31, 2004
Targeted Date to Start:	September 12, 2004
Assignment period:	Four weeks

B. PURPOSE OF THE EVALUATION

The evaluation will assess the overall sustainability of HEIA as a not for profit private industry institution from an organizational, programmatic and financial perspective in light of HEIA's recent decision to shift its mandate from being a member-based to an industry-based organization. The evaluator will assess, analyze, and report all of HEIA's previous, current, and future activities and services, effectiveness, business strategy, performance, viability of the activities and services provided, and recommend directions of any alignment required and/or any new proposed initiatives that would serve HEIA's strategic shift.

This evaluation will enable HEIA to fine-tune its current strategy, give directions toward sustainability, and provide guidance for new activities. It will also enable USAID to evaluate possible options and mechanisms that could support HEIA in its efforts in achieving **Sustainable Industry Leadership** and perform its anticipated role as the Horticulture production and Exports Development clearinghouse that guarantees World Quality Recognition for Egypt's Horticulture exports.

This evaluation will give recommendations on how HEIA could expand its policy dialogue, awareness campaigns and advocacy initiatives to help alleviate policy and regulatory constraints that inhibit the development and the existence of an effective and transparent business and trade environment in Egypt.

The evaluation team will be responsible for the completion of the following tasks:

- 1) Evaluate HEIA's progress toward achieving targets and objectives outlined in the grant and its amendments; while assessing and reporting HEIA's major impact on the development of the Horticulture production and exports;
- 2) Evaluate HEIA's current organizational structure, institutional capacity, efficiency and strategy; with emphasis on HEIA's credibility, viability and commitment toward future sustainability;
- 3) Conduct a cost-benefit analysis of the services provided to HEIA's members and the Horticulture industry, calculating HEIA's financial viability, project its financial sustainability, and recommend improvements.

C. BACKGROUND

With roots going back to the USAID-supported National Agricultural Research Project (NARP), the predecessor to the Agricultural Technology Utilization and Transfer (ATUT), the charter of HEIA was approved November 11, 1996. Membership has expanded steadily and currently stands at 330 individuals and businesses. To launch its organizational development, the association received a \$325,000 grant from the RONCO contract (the technical assistance contractor under ATUT) for rent, office furnishings and equipment, and to hire staff. A second USAID grant of \$450,000 was provided in February 1999 as a one-year pilot grant "subject to extension based on its performance" to strengthen its institutional capacity and to provide technical assistance and market information to Horticultural growers and exporters to increase Egyptian Horticulture exports. This was to be done through: Commodity Programs, Training, Information Transfer, Members Networking, Advocacy, Publication, Quality Certification, Production Technology Adoption, and In-country & Observation Travel.

In January 2000, as a result of HEIA's excellent performance, the Mission approved a one year extension of HEIA Grant till September 2001 with additional funding, to expand its services and membership and increase the horticulture sector's competitiveness. Efforts have focused on building a stronger member based association for improved advocacy and services to members. By the end of 2001, HEIA had increased membership from 25 to 200 members, and initiated an outreach program to expand its services nation wide targeting smaller farmers in Upper Egypt.

Later in September 2001, a follow on grant for two years was awarded till September 30, 2003, that brought the total amount of USAID support to HEIA to \$ 4,629,182 and LE 1,300,000. The purpose of this follow on grant was to help HEIA in shifting its mandate from being a member-based to an industry-based organization and to achieve its main strategic objectives:

- 1 World Quality Recognition
- 2 Sustainable Industry Leadership
- 3 LE 10 Billion in Horticultural Exports

The above objectives were to be achieved through the following activities:

- 1 Assist the Horticulture Industry to meet world quality standards (training in Good Agricultural Practices (GAP), GAP certification, extension training, training of workers in food safety, hygiene)
- 2 Introduce new technologies to the Egyptian Horticulture Industry
- 3 Ensure sustainable Industry Leadership (staff training, market intelligence, increase in membership)
- 4 Ensure a leading Horticultural Community (vocational training, gender, advocacy, cold storage)

In August 2003, the grant was extended for one year until September 2004 with no additional cost to enable HEIA to fully meet the grant's objectives of global industry recognition and progressing towards sustainable leadership of Egypt's Horticulture sector.

D. STATEMENT OF WORK

In responding to this Statement of Work, the evaluation team will be responsible for the completion of the following three tasks. Also the team shall make specific recommendations for improvements, if and where warranted.

TASK 1

Evaluate HEIA's progress toward achieving targets and objectives outlined in the grant agreement and its amendments; while assessing and reporting HEIA's major impact on the development of the Horticulture production and exports.

Illustrative questions to be answered:

- Has HEIA achieved the anticipated and planned objectives through its technical assistance interventions since activity authorization in 1999? Has HEIA succeeded in measuring its quantitative and qualitative achievements, impact, and results of the grant deliverables? Has HEIA evaluated the effectiveness of the different approaches for planning and tracked progress to be more responsive to the industry?
- What is the quality and integrity of HEIA's approaches and reporting systems for targets outlined in the grant and its impact toward achieving the grant's higher-level objectives (World Quality Recognition, Sustainable Industry Leadership, and LE 10 Billion in Horticultural Exports)?
- What has been the direct and indirect impact on Egyptian fresh horticulture exports and the agribusiness exporting business in Egypt? (Has HEIA enhanced industry competitiveness of growers including small farmers in Upper Egypt, exporters and related services?)

- Has HEIA succeeded in strengthening industry linkages between growers, exporters, and other industry stakeholder? (provide examples). Quantify the expected effect on exports and employment and identify appropriate methods proving how this is done.
- Have HEIA technical assistance efforts, training programs, capacity building initiative, and marketing related activities; resulted in better-quality products, increased productivity, introduced new product, new markets captured, and improved business management and practices of Egypt's Horticulture industry?
- How has HEIA approached and addressed gender issues? How it is addressed and considered in its future strategy?
- How does HEIA identify and measure the industry needs?
- Has HEIA succeeded in establishing and implementing a monitoring/verification system, and any other mechanism for services' evaluation/impact assessment to enhance its performance and make HEIA more responsive to the industry need?

To answer these questions, the team shall:

Review specific grant implementation activities, including customer feed back; comparing actual progress toward the grant objectives and best practices in delivering relevant technical assistance by such industry association; to determine whether:

- Implementation progress has been satisfactory;
- Professional training (in-country and off-shore) has been timely, relevant, and effective;
- Needs and constraints of beneficiary groups have been well identified and adequately addressed;
- The implementation process has resulted in HEIA's institutionalization of improved systems, procedures , capability to design, implement, and monitor needed industry interventions;
- Participation by industry members and relevant stakeholder have been adequate to further HEIA's strategy;
- Other areas of the industry value chain are identified and well addressed and planned for further intervention by HEIA;
- The activity's quantitative and qualitative achievements are satisfactory, properly captured, and represent satisfactory returns on USAID investment.

TASK 2

Evaluate HEIA's current organizational structure, institutional capacity, efficiency and its strategy, with emphasis on HEIA's credibility, viability, and commitment toward future sustainability. Explore if HEIA's structure and organization led to the competitiveness of the sector.

Illustrative questions to be answered:

- Is HEIA able to demonstrate that it has not only a strategy and vision but also implemented a plan of action?
- Is HEIA able to demonstrate that there is a real need for its institutional strengthening, and that this process will contribute to the ability of Egypt's Horticulture industry to become more competitive in world markets? Or are HEIA strengthening activities for self-serving needs.
- Do HEIA founding Board and members have a genuine commitment to their association and its strategic objectives? i.e., are they willing to contribute to the association's strengthening and growth in cash and/or kind?
- Is HEIA prepared to adopt a result management approach based on transparency, and follow a set of benchmarks (reached collaboratively between the association, industry stakeholders, and the donor) to measure progress toward achievement of goals?
- Is HEIA able to demonstrate as a result of its interventions, that the horticulture grower and exporters play a more vocal and active role in affecting public policy to maintain Egypt's competitive advantage in domestic markets and increase exports?
- IS HEIA able to demonstrate that its groups "councils" have arrived at the point of seeking assistance through a "bottom-up" process (needs assessment and planning) – and not merely because they may be aware of a donor program that might provide some funding?
- Is HEIA able to demonstrate a capacity to take measured business risks to provide new types of services required by its members to remain globally competitive?
- Is HEIA able to initiate activities or events without donor support or direction? What are they, How they were identified, How effective they were?
- Is HEIA able to demonstrate that it has a clear exit strategy toward sustainability without reliance on USAID funding and/or considering other donors and government of Egypt's exports support programs

To answer these questions, the team shall:

Conduct a full descriptive analysis and evaluation of HEIA's organizational structure, staffing, management practices and so forth; as an industry association. Also assess HEIA's approach and strategy for sustaining provision of services after the grant, addressing the necessity and priority directions for future assistance. The team shall assess, analyze, evaluate and provide guidance and recommendations for improvements, if and where warranted of the following:

- HEIA comparative and competitive advantages as an industry leader association; and how successful HEIA is in addressing the challenges facing Egypt's horticulture exports;
- HEIA readiness in facing the global challenges affecting Egypt's horticulture exports; and project and document when it will be ready.
- HEIA credibility, viability , capability and commitment toward future self sustainability;
- HEIA organizational structure, staffing, management practices and services provided answering the following for each of the services provided, if any, and recommend improvement:

I. Advocacy Services

- Does HEIA keep its members and the industry stakeholders informed about public policies and regulatory issues and represent their views, concerns and give directions to decision-makers, regulatory agencies and legislative bodies for action toward positive changes? And how?
- Does HEIA provide its members with the relevant policy information tools such as “legislative news, bulletins, and Legislative & regulatory alerts” through any of the media/ venues to inform members about the pertinent activities of parliamentary bodies and tracked the progress of legal initiatives and to allow members to voice their concerns directly to those who represent them in legislative / parliamentary bodies for immediate action either to promote or prevent particular policy decisions.
- Does HEIA best represent the interests of its members, mobilize its members, leaders or paid consultants to assist in reaching out to political decision-makers. Does HEIA educate decision-makers about issues of concern to the association members and report back to members on the progress of issues that will impact their businesses?

II. Information Services

- Does HEIA provide or have a clear strategy, mechanism and ongoing initiatives for the dissemination of information to or on behalf of its members. Does HEIA have a clear and solid Web strategy? Does HEIA provide services such as “Export information and directories, Media campaigns and promotions, Internet and Web Services, Printed Newsletters, Specialist Information and Consultations, purchase information, Consumer education; are these services driven by the industry needs; and do they have a measurable impact such as “expanding demand, increasing appreciation on cost share basis”?

III. Marketing Services

- Does HEIA provide its members with the relevant, essential and industry specific marketing information and technical assistance in their best efforts that would maintain existing markets and identify new opportunities and products that will help them to grow? Review the effectiveness of services such as “Market News, Business Referral or Services Registry, Quality Labeling or Industry Standards Labeling, Regional, National and International Trade Show Presence”.

IV. Training Services

- Has HEIA succeeded in strengthening its skills to provide the required association generic training “such as: Association Management for Executives, Governance for Board Members, Public Policy Advocacy, Human Resources Development, Organizational Structuring, Strategic & Business Planning, Best Business Practices, Monitoring and Evaluation, and Financial Management, and so forth”?
- Has HEIA succeeded in strengthening its skills to provide the required specialized industry specific information “such as: Export Market Studies, Market Intelligence for Key Export Markets, New Sector-specific Techniques and/or Technologies, Sector-specific Best Practices, Understanding of Sector-specific Issues for Public Policy Analysis and Advocacy, On-the-job Training in Step-by-step Implementation of Strategic Plans, Fund-raising campaigns, Membership Drives, Program Development, and so forth”?
- Was the training provided by HEIA based on pre assessment of the industry needs and driven not only by the members, but by all stakeholders of the industry? Is it strategically planned and identified, and effective? Was the training provided well monitored and its impact well captured?
- Has HEIA conducted any annual Seminars and/or Industry Meetings that positioned HEIA in a leading role in developing the industry, increasing the industry awareness with the importance of its role, and improving and expanding the Horticulture production and export business?

V. Research and Development

- Did HEIA consider R&D either in funding and/or cosponsoring in its implementation and its strategy? Is HEIA’s approach in addressing R&D viable and doable?

TASK 3

Conduct a cost-benefit analysis of the services provided to HEIA members and the Horticulture industry, calculating HEIA’s financial viability, project its financial sustainability, and recommend improvements.

Illustrative questions to be answered:

- What percentage of the core activities and operational costs are funded by HEIA’s own-resources?
- What is HEIA’s current and future strategy for fund raising, costing services, graduation policy, and other financial mechanisms that would accelerate its financial sustainability?
- What progress is HEIA making in implementing a financial self reliance plan for greater sustainability over the medium (1year) and longer (2-3 years) terms?
- Discuss best practices for increased organizational financial sustainability over the medium and long-terms and present how HEIA could achieve it.

E. EVALUATION METHODS

The evaluation should draw upon a range of sources, not limited to a review of essential reference documents. In addition, interviews of HEIA members, partners and stakeholders, site visits, and analysis of information collected by HEIA, and other evaluation methodologies may be employed.

F. TEAM COMPOSITION AND PARTICIPATION

The evaluation may take as many as six weeks to complete. Although the team may not have the exact breakdown on an individual basis as indicated below, the contractor shall assure that the overall composition of the teams includes the following mix of expertise and experience. For all expatriate personnel proposed, experience and knowledge of development assistance programs would be a plus. A team leader responsible for developing all required deliverables shall be designated.

- 1. Trade Association specialist.** S/he will be an agribusiness specialist (minimum 20 years experience); with extensive overseas experience working with agricultural trade associations or business associations (private sector experience in the horticulture sector is preferable). S/he needs to have demonstrated the capacity to work with private sector producers and public sector officials and have excellent writing skills to synthesize issues with current approaches to improving sectoral competitiveness in horticulture. Experience and knowledge of development assistance programs would be advantageous.
- 2. Human resource specialist.** This team member shall have extensive experience in the management of trade and/or business associations, organizational development, capacity building, business and strategic development, and/or working with associations and institutions in restructuring. Regional experience and full understanding of the Associations' role in global competitiveness in developing countries is desirable.
- 3. Local Specialist :** (Maximum 15 years experience)
 - 1 . Agribusiness and Association Specialist**
 - 2 . Economist and training specialist**

The main tasks of those specialists, who shall work under the supervision of the team leader, is to coordinate and assist in conducting interviews and surveys, conduct analysis, drafting appropriate sections of the final report, and ensure that the team gets access to data, information and activity stakeholders. Fluency in Arabic and English is required.

G. SCHEDULE AND LOGISTICS

1. The evaluation may require as many as six weeks to complete. A six-day workweek is authorized. The official workweek in Egypt is Sunday through Thursday.
2. Most interviews and surveys can be conducted in English. Arabic-speaking capacity will be provided by local personnel.
3. The provision of services – local translators (when needed), interviewers, data processing, drivers, and so forth. Is the responsibility of the contractor? Likewise, the provision of office space, laptops, calculators and other needed equipment are those of the contractor.
4. The team shall prepare a final report providing findings, conclusions and recommendations responsive to the questions in the Statement of Work above, based on the analysis of information obtained as stated under Section D. above.
5. The team shall keep the EG/CAD and HEIA informed of its progress on a weekly basis. All deliverables shall be submitted in draft before being submitted formally to USAID.

H. REPORTING AND DISSEMINATION REQUIREMENTS

1. The team shall hold regular meetings, the frequency of which will be agreed with USAID and HEIA during the first week of work in Egypt, to brief USAID staff and HEIA on progress. Final debriefing(s) shall be held for USAID, HEIA and the team after submission of the draft report but before departure of team members.
2. In coordination with EG/CAD and HEIA, the team will develop and submit a work plan by the end of week 1 for review and approval which specifies how, when, and by whom each of the tasks in this statement of work shall be accomplished. A timeline and suggested table of contents for the report shall be included.
3. The evaluation team shall submit a draft report by the close of the 3rd workweek while still in Egypt. The draft findings shall be reviewed and discussed with key EG/CAD members, HEIA during or before departing Egypt. The final report for reproduction, to be delivered before the team's departure from Egypt, shall include changes or revisions requested by USAID and HEIA. The team shall provide 5 copies of the final report and an electronic version.

4. The proposed format for the evaluation report, to be provided in English, should be as follows:
- **Executive Summary:** Not to exceed five double-spaced pages.
 - **Major Findings, Conclusions and Recommendations:** This section should briefly summarize the most important conclusions and recommendations in the evaluation.
 - **Main Report:** The report should respond directly to the key questions in the Statement of Work and should not exceed 30 double spaced typed pages. All additional material shall be included in appendices.
 - **Appendices**

APPENDIX IV: WORK PLAN AND WORK SCHEDULE

Draft Plan of Work

This study, carried out under the Results Reporting Support Activity (RRSA) is to be conducted by a team of two international and two national consultants:

James Fitch, Trade Association Specialist and Team Leader
William Thomas, Human Resources and Organization Specialist
Mohamed Zaki Gomaa, Agribusiness and Trade Association Specialist
Mostafa Hamada, Training and Systems Management Specialist

RRSA has assigned three of its regular staff members to support the team:

Mamadou Sidibe, Evaluation and Assessment Team Leader
Iman Toukhi, Research Associate
Rosette Keriakos, Executive Assistant

The USAID Statement of Work specifies that the study focus on three major tasks as follows:

- Task 1.** Achievement of targets and objectives stipulated in the grant and its amendments, and of overall impacts on horticulture industry.
- Task 2.** Evaluation of HEIA current organizational structure and capacity.
- Task 3.** Analysis of costs and benefits of HEIA services to its members, financial viability, and implications for sustainability.

While the entire team will work on all of the tasks, Messrs. Fitch and Gomaa will focus primarily on Tasks 1 and 3, whereas Messrs. Thomas and Hamada will take primary responsibility for Task 2.

The study will be based on information to be obtained through interviews and meetings with organizations and people from three groups:

- **Those associated with HEIA itself**, including association members and Crop Councils, the Board of Directors, former board members, the Acting Executive Director, former executive directors, and key staff members.
- **Partner organizations**, including the Trade Association and Small Farmer Support (Chemonics) component and the EI-SHAMS (CARE) project under AERI; the ALEB (Abt) and ExpoLink (Egyptian Exporter Association) activities under GTG.

- **Stakeholder** entities such as the Union of exporters (UPEC), the Ministry of Trade, and the Ministry of Agriculture and Land Reclamation and Land Reclamation. Contacts in the latter will include the Minister and/or the Undersecretary for Horticulture, and the Horticulture Research Institute.

Other information for the study will be obtained from quarterly reports of HEIA, from other HEIA documents and monitoring reports, from data reported in the 2003 and 2004 Client Satisfaction Reviews conducted by RRSA, and from Egyptian export statistics.

The study will take place during the four-week period Sep-20 through Oct-14. A calendar of events is provided in the attached Schedule of Work.

The first two weeks of the study will be devoted primarily to meetings with various HEIA components, as well as with the Partners and Stakeholders identified above. Required documents, publications and statistics will be obtained during weeks 1 and 2, and analyzed during weeks 2 and 3.

Writing the report will begin in week 3. A draft report will be submitted to USAID and HEIA on October 7. This will contain a detailed executive summary, findings, conclusions and recommendations. The draft for the main body of the report will be addressed to the extent that time permits during week 3.

The study team will complete details in the main body of the report and in any required appendices during week 4. The team will present the fully detailed draft report on October 14.

Following final comments from HEIA and USAID, to be submitted by October 21, the team leader will prepare the final report in his U.S. office and deliver it by Oct-28.

A proposed outline for the report is attached.

HEIA Evaluation

Evaluation team Meeting with USAID
Thursday, September 30, 2004

Topics for Discussion

1. Draft Plan and Schedule of Work
2. Review of team activities to date
3. Activities planned for next two weeks
4. Discussion of Task 3 requirements
 - a. What is meant by “cost-benefit analysis”?
 - i. HEIA costs are well documented and are reported in meaningful detail.
 - ii. Benefits of HEIA activities or the grant overall are very difficult to determine in monetary value
 - iii. Benefits can and will be measured in other terms
 1. Numbers of participants and events by service
 2. Comments of HEIA members, staff and board; and Partners and Stakeholders
 3. Analysis of increase in export volume and value of “HEIA crops” vs. non-HEIA crops and overall agricultural exports
 - b. Point by point discussion of Illustrative Questions for task 3.
 - c. Section IV in draft report outline
5. The team understands the importance of analyzing the sustainability of HEIA and the feasibility of future HEIA plans.

Discuss section VI in draft report outline.

Evaluation of the Horticultural Export Improvement Association (HEIA)
Report Outline - Draft 2

Executive Summary

- I. Introduction
 - a. Background, USAID program and strategy, Egyptian agriculture, and the role of private business associations.
 - b. Objectives of the study.
 - c. Methods to be followed.
- II. HEIA and its role in the GOE agriculture strategy.
 - a. Brief history of HEIA.
 - b. Role of government policy and financial support.
 - c. USAID direct grant support
 - d. HEIA support from and to other USAID-supported partners
- III. Achievement of specific targets and objectives
 - a. Achievement of targets and objectives specified in USAID grants
 - b. HEIA's overall impacts on the horticulture industry
- IV. Analysis of viability of HEIA services
 - a. Costs and benefits of HEIA services to its members
 - b. Financial viability: specific services, and overall
 - c. Implications for sustainability and future plans
- V. Evaluation of current organizational structure and capacity
 - a. Overall structure and organization
 - b. Organization of councils and of specific activities and services: advocacy, information, marketing, training, and R & D.
 - c. Organization of board of directors, and relations with the Executive Director and staff.
- VI. Conclusions and implications for sustainability and future USAID support
- VII. Findings and Recommendations

Tables

Annexes (Scope of work, work plan, analyses that are too detailed for main report.)

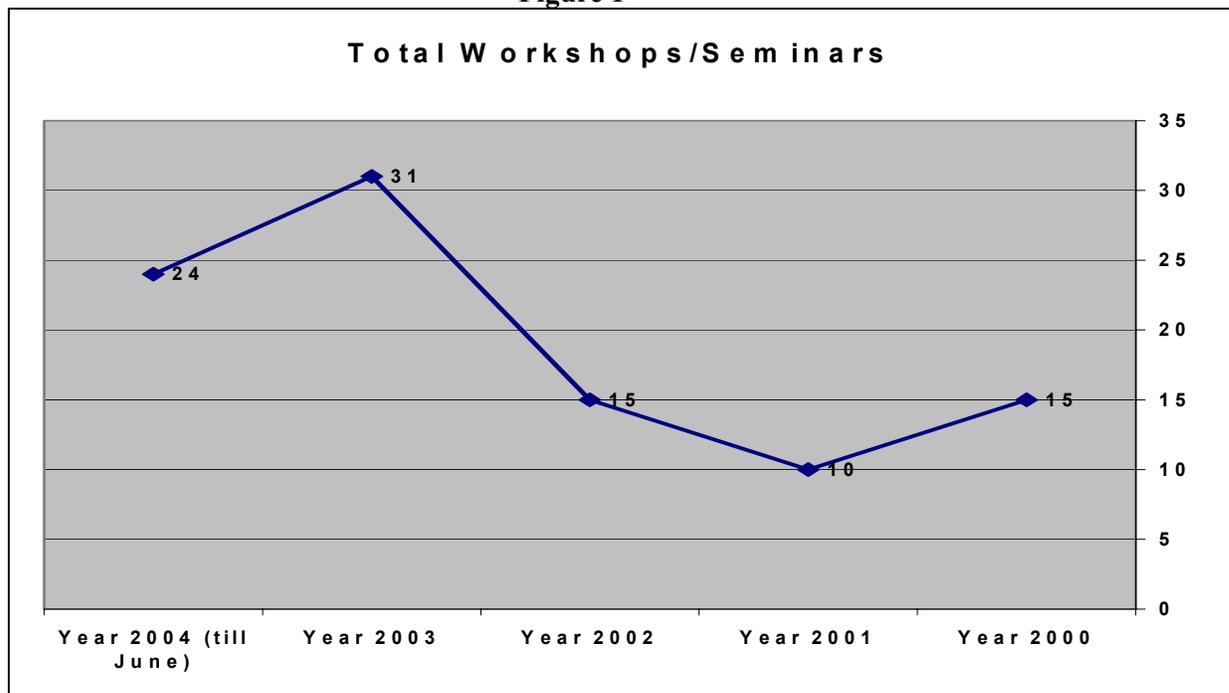
Day Date (Sep - Oct)	Week 1				Week 2				Week 3				Week 4				Final Report										
	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	O-21	O-28
	20	21	22	23	24	25	26	27	28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
Planning																											
Initial discussions RRSA	X	X																									
Initial discussions USAID		X																									
Initial meeting HEIA Exec.Director			X																								
Draft Work Plan & Outline to USAID				X																							
Coordination & comment USAID											X																
Document review																											
Meet former HEIA Board members							X																				
Meet HEIA Board of Directors									(X)																		
Interviews HEIA Management Staff																											
Meetings with HEIA Members																											
Meetings with Partners																											
Meetings with Stakeholders																											
Collect/analyze HEIA achievement data																											
Collect/analyze HEIA cost data																											
Collect/analyze HEIA benefit / impact data, (quantitative & qualitative)																											
Prepare draft report incl.detailed Exec Summary, Findings, Recommends																											
Submit draft report to USAID & HEIA																											
Team work on final report																											
Present near-final draft, debriefings at USAID & HEIA																											
Final comments from USAID																											
Submit final draft (team leader only)																										X	x

APPENDIX V: TRAINING

HEIA provides training services for HEIA members, staff and others. This training is determined according to training needs assessment that is usually coordinated by the Training Department. During January 2000 – June 2004 HEIA prepared and conducted different sorts of training activities according to the needs and strategic plan. Training activities carried out by HEIA’s staff or consultants (foreign or Egyptian consultants) included the following:

- A) **Seminars and Workshops:** have been provided both in Egypt and off shore for HEIA members in order to meet the needs of HEIA councils and others.
- B) **EUREPGAP Training:**
 - 1) Training of 600 Ministry of Agriculture and Land Reclamation and Land Reclamation (MARL) and small growers. The training took place in 8 governorates in Lower and Upper Egypt (Giza, Beni-Suef, Sohag, Qena, Luxor, Aswan, Ismailia and El-Beheira)
 - 2) 500 participants from HEIA members.
 - 3) 20 of gender council members
 - 4) 70 Jordanian participants from the Ministry of Agriculture and Land Reclamation and Land Reclamation decision makers, exporters, growers, importers and horticulture extension agents (March-April 2004)

Figure 1



C) HEIA Staff Training and Capacity Building:

1. Staff training on Teambuilding, July 2001, in Sharm El Sheikh
2. Several English and computer courses during 2001
3. Intermediate level English training Jan-Mar.2002
4. Windows and outlook users' course Jan-Mar.2002.
5. Staff training on Teambuilding, Aug. 2002, in Hurgada
6. Staff training on Teambuilding and Creative Thinking, May 2003, in Makady Bay
7. Strategic Action Plan (SAP) workshop, attended by HEIA members, staff, US AID representatives, International donors, Ministry of Agriculture and Land Reclamation representatives, and several stake-holders in the horticultural sector. Jan.2004, in Luxor
8. Staff training on Improving work environment and Creative Thinking, Jan 2004, in Shark El Sheikh

D) Top Management Training:

Provide continuous training courses necessary for top management of the member farms and companies to become familiar with the GAP/BRC specifications in preparation for audit and certification:

Top Management Training Oct 02 - Sep 04

Training Days	Attendees	Type of Trainees	Training Provider	From - To	Training Program
75	25	Top Managers	HEIA & CMI	3 - 5 March 2003	Egyptian Assured Produce Scheme
100	100	Exporters/growers/MALR	HEIA/GTZ/MALR	12/08/2003	Traceability Training - Quality Standard Symposium
175	125	Total			

E) EUREPGAP Training for Middle Management – Oct. 03 to Sept. 04

	Oct 2002-Sep 2004	Sep.2002
Target	40	60
Real	233	159
% of Achievements	583%	265%

F) Arabic Language GAP Training:

Develop Arabic-language GAP courses tailored by the MCU of HEIA to train middle managers on member farms to ensure a responsible attitude to workers' health and safety, welfare and training & speed up the implementation process.

G) Leading Horticultural Community Development:

Vocational Training

Enhancing the HEIA members' staff skills is essential. This is one of the GAP requirements to have skilled labors receiving continuous training.

HEIA Members Training (GAP)

	By Sep 2004
Target	50
Real	103
% of Achievements	206%

H) Strategic Action Plan Conference:

HEIA has also held a Strategic Action Plan conference in Luxor; Jan.2004, where some new targets were set for the MCU department to be achieved by end of 2004. The actual figures were as follows:

	Jan 04-Sep 04
Target	25
Real	211
% of Achievements	844%

I) BRC Training (SAP Objectives):

Number of Training Days	Number of attendance	Type of Trainees	Training Provider	From - To	Training Program
60	60	HEIA Member's Agronomists	HEIA	13/05/2004	BRC Training with Quality Department
165	33	Growers , Exporter ,Farms Associations	HEIA	25-29/08/2004	BRC & EUREPGAP & Nature's Choice Training with Post harvest - Luxor
225	93	Total			

	Jan 04-Sep 04
Target	25
Real	93
% of Achievements	372%

J) Gender Training:

Dr Sawsen El Messery has been working actively with HEIA to provide gender training in several rural areas and small Egyptian towns. The training covered Sohag, Qena, Luxor, Aswan, Sadat City, Ismailia and Helwan.

The training has started late 2001, and it is still going till now. The following schedule explains the number of trainees during each year.

Year	2001	2002	2003	2004
Women	113	261	787	425
Men		25	175	155

K) Observational Study Tours and Overseas Conferences:

January 2000 to June 2004 has done for the councils of Mango, Strawberry, Cut Flower, Organic, Nurseries, Melon, and others either in Egypt or off shore activities.

L) Videos and CD's Library:

To achieve a higher rate of information dissemination, HEIA has started to offer some of its activities (seminars, workshops and field-days) that have been recorded originally to members and non-members. The recording of the activities is done on videotapes while the material is offered to interested parties on CD's. Sales of Audio-visual materials reflect not only the dissemination of information gained from the expatriate consultants, but also reflects the benefits received by our members and the whole sector from making those materials available.

Figure 2

Sales Of Videos and Cd's

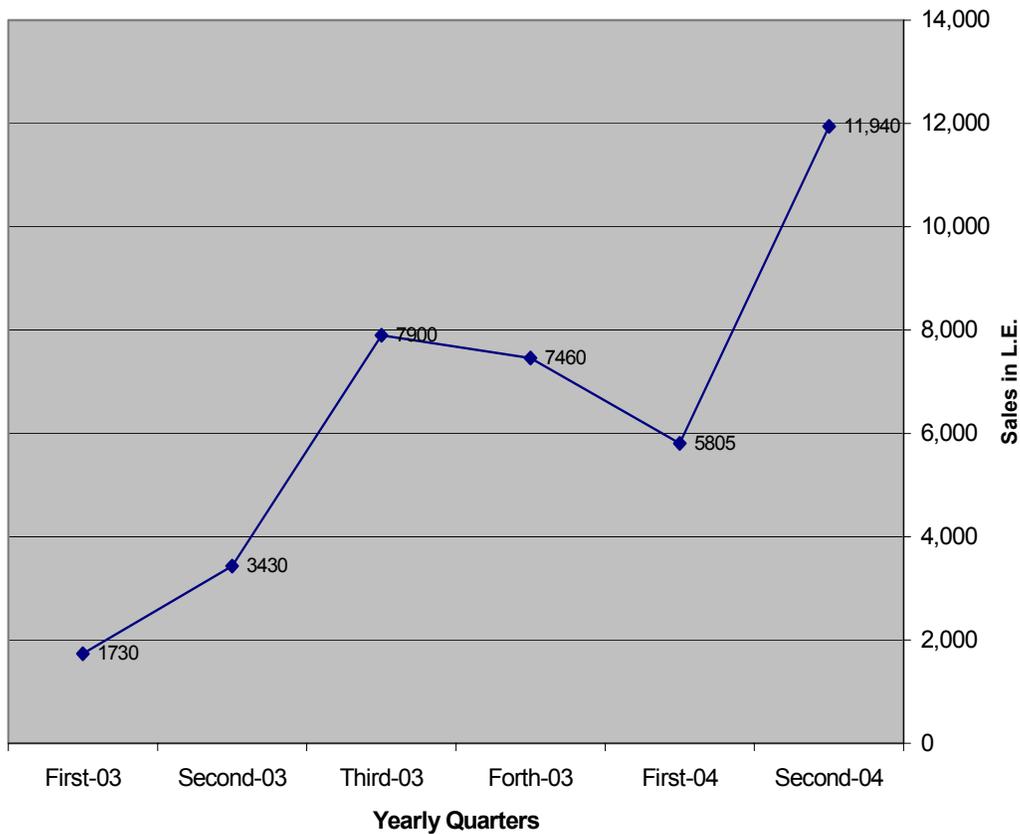


Figure 3

Average videos and CD's units sold

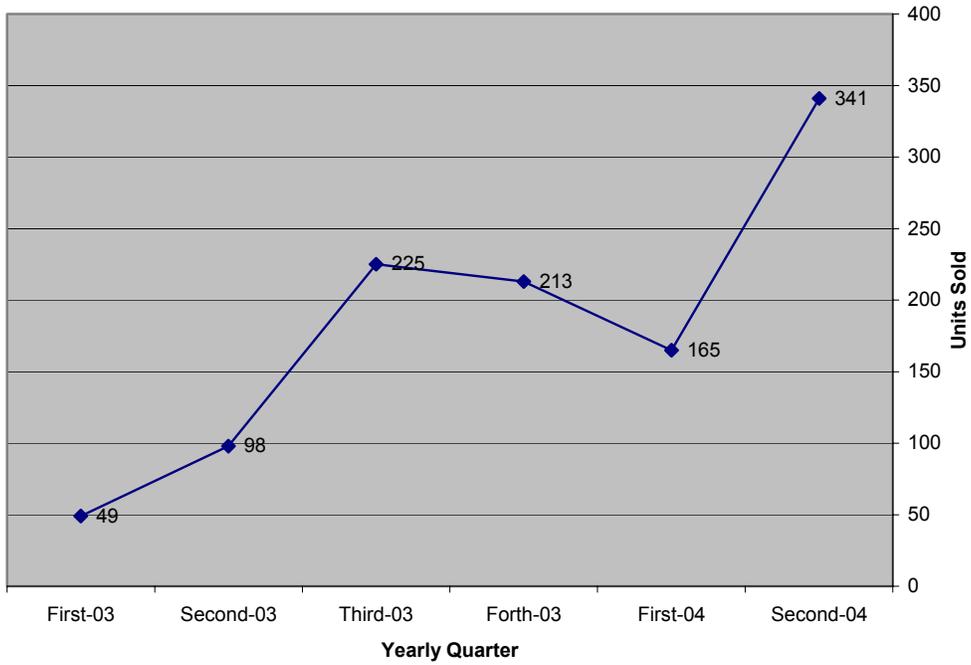


Table V.1: An Illustrative Sample of Recent HEIA Technical Training Seminars and Workshops

Activity No. Council Department	No. of Days	No. of Participants	Cost of Attending per Person*
<u>Mango Council</u> Seminar by Peter Stassen (SAMGA) on 17/7/03	1	70	40
Seminar by Crisanto Ampuero on 7/11/03	1	20	No Charge
<u>Grape Council</u> 3 Post harvest workshops by Qual. Assurance Team from 19-21/4/04 in Sohag & Luxor	3	50	No Charge
<u>Organic Council</u> Organic Pesticides by Fakry Zayton on 30/1/03	1	55	No Charge
<u>Green Beans Council</u> Controlling Botrytis Diseases by Salah Youssef on 20/1/04	1	40	65
<u>Melon Council</u> Post Harvest Handling for Melon by Hamada Ali & Faried Yehia on 16-17/3/04	2	34	No Charge
<u>Cut- Flowers Council</u> Decreased Egyptian Exports from Cut-Flowers by Azzam El Shafei on 29/3/04	1	15	65
World Flower Trade & Auction Role by Hans Ekelmans on 25/3/04	1	15	65
<u>Food Processing Council</u> Pest Control Seminar on 8/4/04 at HEIA	1	35	100 for Member 120 for Othres
Thermal Processing Workshop on 12/6/04 at HEIA	1	35	100 for Member 120 for Others
<u>Others</u> Fertigation Programs by Herbert Hutting on 14/2/04	1	60	100
Pesticides Handling, Preparation, Mixing, Spraying & Waste Disposal at Agricultural Mechanization Training Center on 11-13/5/04	3	15	500
<i>* Except is note events and fees were for members only.</i>			

Note: HEIA training staff provided details on course duration, number of participants and cost for the above training events, which were selected at random a list of 94 such events by the evaluation team.

APPENDIX VI: EXPORTS OF “HEIA CROPS” COMPARED TO OTHER HORTICULTURAL AND AGRICULTURAL EXPORTS

Table VI.1: Exports of “HEIA Crops” Compared to Other Horticultural and Agricultural Exports, based on CAPMAS Data

(metric tons)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
HEIA's Core Crops:											
Grapes	1,272	1,142	1,304	830	779	891	2,866	4,552	5,993	7,416	11,513
Strawberries	969	717	427	600	727	854	830	1,240	2,268	2,823	2,815
Melons	4,599	3,248	2,613	1,879	4,541	3,247	1,049	2,644	3,311	4,561	3,827
Green Beans	5,383	11,607	7,666	5,188	5,559	3,882	5,961	8,276	6,978	5,871	5,284
Cut Flowers	8	18	35	0	7	6	18	62	960	175	48
Mangoes	1,339	1,972	938	1,107	486	523	776	993	666	464	5
Sub-total	13,570	18,703	12,983	9,604	12,099	9,402	11,500	17,766	20,175	21,310	23,492
Non-HEIA Exports:											
Hort. Exports, All Other	438,624	697,013	687,173	673,711	724,250	672,345	656,036	721,098	809,636	920,952	920,388
Ag. Exports, Other	399,317	270,241	393,938	288,464	533,537	465,729	558,426	879,021	733,681	866,777	610,423
Ag. Exports, Total	851,511	985,958	1,094,093	971,779	1,269,885	1,147,477	1,225,962	1,617,885	1,563,492	1,809,040	1,554,302
Other Items of Interest (Included Above):											
Artichokes, Globe Fresh	4,924	5,205	2,845	2,914	3,545	1,818	7,143	2,338	3,499	6,331	18,740
Dried Fruits and Nuts	23,069	18,848	15,910	20,420	22,042	14,717	14,077	10,773	23,686	19,792	11,581
Herbs & Medic. Plants	7,098	7,362	9,012	8,354	7,984	9,834	10,732	8,740	11,864	12,050	7,034
Spices	12,241	10,489	12,524	7,812	7,351	6,784	10,578	8,130	7,823	7,274	5,082
Fruits, other fresh	47,305	70,126	76,743	241,450	240,853	222,760	249,823	282,272	154,549	189,812	237,952
Vegetables, other fresh	310,755	564,350	544,690	367,236	413,149	382,623	330,129	374,530	546,963	646,139	628,761
Fruit & Veg, Processed	58,109	42,982	40,288	45,772	52,194	46,483	50,385	43,263	77,742	59,644	38,338
Note: Quantities exported are as reported by CAPMAS on their website; see more details in Table VI.2 * 2004 data is January-July only.											

**Table VI.2: Exports of “HEIA Crops” Compared to Other Horticultural and Agricultural Exports
(Quantity, Value and Average Price) based on CAPMAS Data**

	Year										
Item	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Dried Fruits & Nuts Qty (mt)	23,069	18,848	15,910	20,420	22,042	14,717	14,077	10,773	23,686	19,792	11,581
\$ Value (1000s)	\$14,101	\$10,738	\$8,243	\$12,111	\$11,629	\$7,103	\$6,347	\$4,185	\$10,487	\$8,775	\$6,548
Average Price per kg \$	\$0.61	\$0.57	\$0.52	\$0.59	\$0.53	\$0.48	\$0.45	\$0.39	\$0.44	\$0.44	\$0.57
Flowers, Cut & in-Bud Qty (mt)	8	18	35		7	6	18	62	960	175	48
\$ Value (1000s)	\$6	\$16	\$37		\$8	\$5	\$14	\$45	\$451	\$166	\$95
Average Price per kg \$	\$0.69	\$0.87	\$1.04	#DIV/0!	\$1.19	\$0.82	\$0.75	\$0.72	\$0.47	\$0.95	\$1.98
Flowers, Dry Qty (mt)	196	157	157	213	186	235	204	228	290	310	323
\$ Value (1000s)	\$327	\$191	\$301	\$183	\$171	\$204	\$221	\$180	\$302	\$457	\$492
Average Price per kg \$	\$1.67	\$1.22	\$1.92	\$0.86	\$0.92	\$0.87	\$1.08	\$0.79	\$1.04	\$1.48	\$1.52
Flowers, Plants Qty(mt)	5		11	0	0	3		10	15	62	12
\$ Value (1000s)	\$7		\$109	\$0	\$0	\$5		\$1	\$32	\$148	\$95
Average Price per kg \$	\$1.47		\$9.88	\$2.50	\$8.82	\$1.76	#DIV/0!	\$0.11	\$2.18	\$2.36	\$7.68
Flowers, Roots & Bulbs Qty(mt)	361	394	1,325	167	68	57	101	95	237	732	506
\$ Value (1000s)	\$245.53		\$134.19	\$66.92	\$7.71	\$32.48	#DIV/0!	\$862.34	\$108.71	\$309.49	\$65.85
Average Price per kg \$	\$3.33	\$1.73	\$1.81	\$1.50	\$2.99	\$0.65	\$1.60	\$1.06	\$0.94	\$0.81	\$0.28
Fruits, Other Fresh Qty(mt)	47,305	70,126	76,743	241,450	240,853	222,760	249,823	282,272	154,549	189,812	237,952
\$ Value (1000s)	\$14,559	\$20,897	\$22,579	\$78,519	\$64,974	\$56,292	\$53,440	\$54,398	\$29,928	\$43,301	\$69,774
Average Price per kg \$	\$0.31	\$0.30	\$0.29	\$0.33	\$0.27	\$0.25	\$0.21	\$0.19	\$0.19	\$0.23	\$0.29
Fruits, Processed Qty(mt)	574	412	662	1,095	2,693	2,963	2,500	2,729	3,348	3,694	4,584
\$ Value (1000s)	\$595	\$324	\$583	\$1,197	\$2,668	\$2,218	\$2,052	\$1,211	\$2,302	\$2,585	\$3,393
Average Price per kg \$	\$1.04	\$0.79	\$0.88	\$1.09	\$0.99	\$0.75	\$0.82	\$0.44	\$0.69	\$0.70	\$0.74
Grapes, Fresh Qty(mt)	1,272	1,142	1,304	830	779	891	2,866	4,552	5,993	7,416	11,513
\$ Value (1000s)	\$610	\$466	\$912	\$498	\$506	\$451	\$1,188	\$1,294	\$1,817	\$2,931	\$8,552
Average Price per kg \$	\$0.48	\$0.41	\$0.70	\$0.60	\$0.65	\$0.51	\$0.41	\$0.28	\$0.30	\$0.40	\$0.74
Green Bean, Fresh Qty(mt)	5,383	11,607	7,666	5,188	5,559	3,882	5,961	8,276	6,978	5,871	5,284
\$ Value (1000s)	\$1,991	\$3,580	\$2,037	\$1,181	\$1,630	\$974	\$1,381	\$2,821	\$1,982	\$2,052	\$2,692
Average Price per kg \$	\$0.37	\$0.31	\$0.27	\$0.23	\$0.29	\$0.25	\$0.23	\$0.34	\$0.28	\$0.35	\$0.51
Herbs & Medicinal Plants Q(mt)	7,098	7,362	9,012	8,354	7,984	9,834	10,732	8,740	11,864	12,050	7,034

\$ Value (1000s)	\$6,869	\$6,495	\$8,733	\$9,101	\$8,681	\$8,926	\$10,763	\$7,059	\$10,009	\$13,747	\$8,668
Average Price per kg \$	\$0.97	\$0.88	\$0.97	\$1.09	\$1.09	\$0.91	\$1.00	\$0.81	\$0.84	\$1.14	\$1.23
Mangoes, Fresh Qty(mt)	1,339	1,972	938	1,107	486	523	776	993	666	464	5
\$ Value (1000s)	\$725	\$725	\$271	\$398	\$136	\$212	\$311	\$231	\$181	\$99	\$3
Average Price per kg \$	\$0.54	\$0.37	\$0.29	\$0.36	\$0.28	\$0.41	\$0.40	\$0.23	\$0.27	\$0.21	\$0.56
Melons, Fresh Qty(mt)	4,599	3,248	2,613	1,879	4,541	3,247	1,049	2,644	3,311	4,561	3,827
\$ Value (1000s)	\$1,385	\$849	\$487	\$349	\$611	\$520	\$219	\$287	\$426	\$692	\$1,235
Average Price per kg \$	\$0.30	\$0.26	\$0.19	\$0.19	\$0.13	\$0.16	\$0.21	\$0.11	\$0.13	\$0.15	\$0.32
Seed Potato Qty(mt)	171	62	585	14	107	1	489	353	583	224	659
\$ Value (1000s)	\$47	\$9	\$81	\$20	\$75	\$0	\$124	\$290	\$194	\$35	\$135
Average Price per kg \$	\$0.27	\$0.15	\$0.14	\$1.41	\$0.70	\$0.50	\$0.25	\$0.82	\$0.33	\$0.16	\$0.21
Seeds, Vegetable Qty(mt)	1,248	751	1,258	2,202	2,011	2,919	3,183	3,036	8,450	3,934	1,524
\$ Value (1000s)	\$840	\$733	\$909	\$761	\$914	\$1,184	\$1,735	\$1,143	\$2,336	\$1,220	\$381
Average Price per kg \$	\$0.67	\$0.98	\$0.72	\$0.35	\$0.45	\$0.41	\$0.55	\$0.38	\$0.28	\$0.31	\$0.25
Spices	12,241	10,489	12,524	7,812	7,351	6,784	10,578	8,130	7,823	7,274	5,082
\$ Value (1000s)	\$9,349	\$7,809	\$9,647	\$6,118	\$5,639	\$4,669	\$7,989	\$5,637	\$5,787	\$6,033	\$4,051
Average Price per kg \$	\$0.76	\$0.74	\$0.77	\$0.78	\$0.77	\$0.69	\$0.76	\$0.69	\$0.74	\$0.83	\$0.80
Strawberry, Fresh Qty(mt)	969	717	427	600	727	854	830	1,240	2,268	2,823	2,815
\$ Value (1000s)	\$996	\$402	\$178	\$266	\$311	\$337	\$189	\$319	\$893	\$1,469	\$1,780
Average Price per kg \$	\$1.03	\$0.56	\$0.42	\$0.44	\$0.43	\$0.39	\$0.23	\$0.26	\$0.39	\$0.52	\$0.63
Vegetables, Dried Qty(mt)	22,344	10,924	9,525	7,351	8,750	9,636	11,020	8,829	11,488	13,907	9,124
\$ Value (1000s)	\$16,550	\$21,978	\$16,848	\$12,900	\$16,410	\$16,427	\$15,700	\$12,675	\$16,918	\$19,966	\$14,716
Average Price per kg \$	\$0.74	\$2.01	\$1.77	\$1.75	\$1.88	\$1.70	\$1.42	\$1.44	\$1.47	\$1.44	\$1.61
Vegetables, Frozen Qty(mt)	11,313	12,685	14,139	16,891	18,641	19,132	22,589	20,864	39,054	22,137	12,964
\$ Value (1000s)	\$8,572	\$10,574	\$10,929	\$17,490	\$15,714	\$13,295	\$12,837	\$11,882	\$20,004	\$15,903	\$9,556
Average Price per kg \$	\$0.76	\$0.83	\$0.77	\$1.04	\$0.84	\$0.69	\$0.57	\$0.57	\$0.51	\$0.72	\$0.74
Vegetables, Other Fresh Q(mt)	310,755	564,350	544,690	367,236	413,149	382,623	330,129	374,530	546,963	646,139	628,761
\$ Value (1000s)	\$62,382	\$127,503	\$98,580	\$61,022	\$68,378	\$60,236	\$44,691	\$49,423	\$74,261	\$86,918	\$111,988
Average Price per kg \$	\$0.20	\$0.23	\$0.18	\$0.17	\$0.17	\$0.16	\$0.14	\$0.13	\$0.14	\$0.13	\$0.18
Vegetables, oth. Processed Q(mt)	808	112	52	15	67	35	198	69	167	115	85
\$ Value (1000s)	\$331	\$142	\$15	\$4	\$16	\$20	\$113	\$33	\$109	\$63	\$53
Average Price per kg \$	\$0.41	\$1.26	\$0.28	\$0.24	\$0.24	\$0.58	\$0.57	\$0.48	\$0.65	\$0.55	\$0.63

Other Horticultural Prods-Qty(mt)	1,134	342	580	490	348	647	413	438	1,120	773	197
\$ Value (1000s)	\$682	\$394	\$821	\$281	\$248	\$253	\$244	\$236	\$345	\$335	\$95
Average Price per kg \$	\$0.60	\$1.15	\$1.42	\$0.57	\$0.71	\$0.39	\$0.59	\$0.54	\$0.31	\$0.43	\$0.48
Other Agricultural Prods. Qty(mt)	399,317	270,241	393,938	288,464	533,537	465,729	558,426	879,021	733,681	866,777	610,423
\$ Value (1000s)	\$335,600	\$241,899	\$242,164	\$215,422	\$318,839	\$355,929	\$348,927	\$376,666	\$492,080	\$569,092	\$473,398
Average Price per kg \$	\$0.84	\$0.90	\$0.61	\$0.75	\$0.60	\$0.76	\$0.62	\$0.43	\$0.67	\$0.66	\$0.78
TOTAL Ag. Exports Qty(mt)	851,511	985,958	1,094,093	971,779	1,269,885	1,147,477	1,225,962	1,617,885	1,563,492	1,809,040	1,554,302
Total Value \$ (1000s)	\$477,006	\$456,627	\$426,721	\$417,951	\$517,745	\$529,298	\$508,659	\$530,161	\$671,047	\$776,522	\$717,853
Average Price \$ per kg	\$0.56	\$0.46	\$0.39	\$0.43	\$0.41	\$0.46	\$0.41	\$0.33	\$0.43	\$0.43	\$0.46
Note: Quantities and values as reported by CAPMAS on their website. Aggregation and average prices as calculated by the Evaluation team. * 2004 data is only January-July.											

Table VI.3 Egypt Exports of Selected Non-Traditional Horticultural Products, as Reported by ALEB							
Export Volume (Ton)							
	1997	1998	1999	2000	2001	2002	2003
Table Grapes	2,500	3,200	5,100	6,000	6,500	8,000	14,000
Green Bean	22,000	25,500	24,000	26,500	28,000	28,000	29,000
Strawberry	3,000	4,800	5,000	5,500	6,000	6,800	8,000
Herbs & Spices	21,000	20,000	21,000	21,000	22,000	22,000	23,000
Cut-Flowers	200	230	500	550	650	700	1,200
Export FOB Value (1000 L.E.)							
	1997	1998	1999	2000	2001	2002	2003
Table Grapes	5,760	9,690	10,200	12,000	13,000	16,000	28,000
Green Bean	33,000	40,800	36,000	45,050	56,000	64,400	72,500
Strawberry	15,000	26,400	30,000	34,100	38,400	42,840	52,000
Herbs & Spices	84,000	120,000	115,500	84,000	132,000	143,000	147,200
Cut-Flowers	1,000	1,265	2,600	3,300	3,835	4,060	7,320
Source: Agricultural Led Export Businesses Project, based on Eurostat for EU, USA Trade Online for North America, Arab Chambers for Exports to Arab Countries, and UN Comtrade Databases for other countries.							

APPENDIX VII: LIST OF HEIA EMPLOYEES

List of HEIA Employees, October 2004

No.	Employee Name	Title	Department
1	Mohamed Wael Rafea Mohamed	Executive Director in Charge	Executive
2	Mohamed Adam Eid ElNawawy	Financial/Administrative Manager	Finance/Admin
3	Mohamed Galal Mohamed Mahmoud	Administrative Supervisor	
4	Yasser Mohamed ElSayed Aly	Accountant	
5	Mohamed Ahmed Helal Emam	Accountant	
6	Mohamed Hussein Mohamed Hussein	Accountant	
7	Mohamed Ibrahim Abd Allah Mohamed	Cashier/Logistic	
8	Mohamed Ramadan Ahmed Mohamed	Collector	
9	Rana Halim ElMorsy Ashour	Secretary	
10	Wafaa Ahmed Abdel Fattah Hussein	Executive Secretary	
11	Ibrahim Hamid Maemoon	Driver	
12	Saber Mohamed Tawfik Soliman	Driver	
13	Mohamed Abd ElMoneim Abo Sreaa	Driver	
14	Sobhy Hassan Dawoud Soliman	Messenger/Janitor	
15	Mohamed Fathy Mohamed	Janitor	
16	Tarek Moustafa Abd El Zaher	Janitor	

List of HEIA Employees, October 2004

No.	Employee Name	Title	Department
17	Nada Moustafa Mokhtar Hassan ElTantawy	Publication Manager	Publication
18	Maha Ibrahim Nour ElDeen	Translator	
19	Monir Hussein Ahmed ElShazly	Training Manager	Training
20	Mohamed Afify Mahmoud Selim	Training Coordinator	
21	Amr Mahmoud Sobhy ElHawary	Membership Manager	Membership
22	Nessrin Amin Fahmy Mohamed ElDemerdash	Membership Coordinator	
23	Sherinna Moustafa Naeem Moustafa	Committee Coordinator	Committee
24	Alaa Abdel Salam Abdel Razik Fahmy	Food Processing Council Manager	Food Processing
25	Alaa Adel Mahmoud Khaled	Food Processing Council Coord.	
26	Reem Ahmed Fadel	Food Processing Council Coord.	
27	Hagar Mohamed Mahmoud Rakha	Council Coordinator	Council
28	Nezar Essam Abdel Magiued Sayed	Council Coordinator	
29	Rafik Hamdy Mohamed Aly	Council Coordinator	
30	Bahaa Ismail Hussein Mohamed Gomaa	Field Services Manager	Field Service
31	Sherif Hassan Abdel Ghany Khedr	Field Consultant	
32	Atef Abdel Latif Mohamed Abdel Wahab	Field Consultant	
33	Mohamed Ahmed Helmy Mahmoud	Field Consultant	
34	Mahmoud Mohamed Hekal	Field Consultant	
35	Ahmed Amin Ahmed	Agronomist	

List of HEIA Employees, October 2004

No.	Employee Name	Title	Department
36	Mahmoud Sarhan Mahmoud	Agronomist	Field Service
37	Mohamed Ahmed Ali	Agronomist	
38	Tarek Sayed Salah	Agronomist	
39	Nancy Mohamed Abdou ElAuashy	Agronomist	
40	Mohamed Korany Aly Abdel Moteleb	Quality Control Manager	Quality Control
41	Hamada Abou ElHadid Aly Ibrahim	Assistant Quality Control Manager	
42	Yasser A. Moneim A. Moneim A. Ghany	Quality Control Inspector	
43	Farid Yehia Abdel Aziz Osman	Quality Control Inspector	
44	Mohamed ElSayed Mohamed ElRefayee	Quality Control Inspector	
45	Mohamed Farouk A. Razik Aly ElRamlawy	Quality Control Inspector	
46	Mohamed Saad ElSayed ElSerafy	Quality Control Inspector	
47	Hassan Samir A. Fattah Mohamed ElBana	Quality Control Inspector	
48	Fatouh ElSayed Fatouh Mahrous	Quality Control Inspector	
49	Yasser Farouk Moustafa Ahmed	MCU Manager	MCU
50	Osama Zakaria Hassan ElRouby	Assistant MCU Manager	
51	ElSayed Aly Abdel Halim ElGeoushy	Agronomist	
52	Ahmed ElSayed Badawy Mohamed	Agronomist	
53	Nashaat Abd El Moaty Abo El Ghait	Agronomist	
54	Abdel Mohsen Soliman Abdel Mohsen	Projects Manager	Projects
55	Mohamed Atef Abd El Fatah	IT Coordinator	IT

List of HEIA Employees, October 2004

No.	Employee Name	Title	Department
56	Khaled Ahmed Mahmoud Hasaneen	Field Consultant	Luxor
57	Peter Sobhy Rashed	Agronomist	
58	El Nouby Hanafy Salem	Agronomist	
59	Hany Saad El Deen Nashed	Agronomist	
60	Mohamed Radwan ElMahdy ElAgamy	PT Owner Representative	PT
61	Hamdy Mohamed Atia El Nagar	Accountant/Administrator	
62	Moustafa Adel Moustafa Mahmoud	Cooling Technician	
63	Mahmoud Ibrahim Mohamed Hassan	Maintenance Technician	
64	Moustafa Fathy Mahmoud Abd Latah	Agricultural Labor	
65	Khalaf Fathy Hamad Mahmoud	Agricultural Labor/Guard	
66	Metwaly Mohamed Ahmed ElKeiary	Mechanical Technician	
67	Emad Mohamed Ali Toaema	Electricity Technician	

APPENDIX VIII: THE HEIA REFRIGERATED PERISHABLE TERMINAL

VIII. The HEIA Refrigerated Perishables Terminal

To fill in an important missing component in the export of fresh horticultural products, HEIA decided to establish the Refrigerated Perishable Terminal (RTP) at the Cairo International Airport. The terminal helps to ensure that the cold chain starting from the growers' packing houses remains intact through the loading onto the aircraft, to help ensure that the crops remain cold all the way to the foreign buyer.

HEIA undertook time consuming advocacy, and dialogue with several different governmental entities, to obtain approval for establishing the terminal inside the airport area, to get the land, to obtain the needed finance, and finally to secure Cabinet approval. HEIA collaborated with other partners, especially the Agricultural Commodity Council (ACC), to ensure success. The Ministry of Foreign Trade (MOFT) gave important support to HEIA in this process. The foundation of the Terminal was laid in October, 2000, and it was completed in July, 2003. Actual operations began in October, 2003.

HEIA obtained land from the Government of Egypt (GOE). It built the terminal, bought the equipment, and will operate it for 15 years before delivering it back to the Government. A MOFT decree requires that all perishables shipped to Europe go through the terminal.

The Terminal construction and equipment cost LE 17.5 million. A loan of LE 12 million was provided by the Egyptian Bank of Export Development, based on a guarantee from the Ministry of Agriculture and Land Reclamation (MALR). The loan is based on 8.5 percent annual interest, and there was a grace period during the construction process. HEIA got also a total of LE 6.8 million in two grants from the MOFT-administered Export Promotion Fund, to help build and expand the Terminal. Initially the RPT's handling capacity was to be 180 tons per day, but that was expanded to 300 tons/day with funds from the second (LE 2.8 million) Export Promotion grant. In effect, HEIA used revenues generated from services provided by its USAID grant to generate working capital for the terminal.

The Terminal is operated for HEIA by the Egypt Air Holding Co., with technical support from Lufthansa Cargo AG. Lufthansa Cargo set up the RPT's operational manual, the quality management system, and the staff training. The Terminal represents "one-stop-shop" service to all airlines through its cold storage and handling system that is synchronized with customs, product inspection and phytosanitary clearance procedures.

Egypt Air charges 25% of the total revenue, with an annual minimum of LE 1.5 million. Lufthansa charges LE 25 per ton plus LE 25,000 per month for a consultant and transportation. An equipment maintenance contract for LE 20,000 per month, to start in the second year, was signed with an outside service provider. The facility also has five offices and a cafeteria to rent out to other users or concessionaires.

The actual operations started on October 1, 2003. HEIA's stated use charge is LE 245 per ton. However, the Export Promotion Fund has subsidized use of the terminal with a payment of LE 160 per ton. Thus, to date users have paid only LE 85 per ton, which is about 35 percent of the stated charge.

A financial analysis was carried out by the Evaluation team, to assess the potential sustainability of the terminal. This was not an easy task, since only six months (Jan-Jun 2004) of actual financial operating data was available. Based on that, estimates were made for the first full year of operations. The estimated performance for 2004 (see Table VIII.1 below) was then compared to the projections that had originally been prepared by HEIA for 2004 and annually thereafter through 2015 (Table VIII.2). The estimated actual 2004 performance is a close match to HEIA's projections, indicating that the surplus generated by the terminal during 2004 will be about LE 1.3 million.

As to the projections for the future, the Team finds no reason to fault the costs of operation projected by HEIA. In our analysis we did make minor adjustments to a few items. Rather than estimating the periodic costs of replacing equipment, as HEIA did, we chose to use an even sinking fund payment designed to keep all equipment replaced. The total of replacement (sinking fund) payments over the 2004-2015 period is almost the same as HEIA's individual replacement estimates.

HEIA has found that the full charge for using the terminal will need to be in the area of LE 245 – LE 280²⁹ per ton, in order to cover all of the direct and indirect costs, to cover replacement (depreciation), and to generate a surplus for the association. The Team finds this to be a reasonable range, given the cost structure defined by HEIA and which has been validated by the initial operations.

The future revenues projected by HEIA raise a number of issues. HEIA's original projections for the terminal showed the Export Promotion subsidy continuing through 2015 (see Table VIII.2), but this is highly unlikely under current World Trade Organization (WTO) rules. These rules stipulate that developing countries such as Egypt will be required to stop such subsidies after the end of 2004. HEIA told the team that the Export Promotion Fund Payment is technically not a subsidy but is a "tax refund." Board members told the evaluation team that they now hope that MOFT will continue to make these payments through 2006, rather than through 2015 as shown in the initial projections. In any case, ongoing GOE budgetary discipline makes it unlikely that such a subsidy or "tax refund" would continue for very long. Thus, HEIA needs to plan to operate the terminal without subsidies, perhaps as early as January 2005.

When the export subsidy is eliminated, horticultural exporters will face paying the full use fee. LE 245 per ton is almost three times the current cost. Proven economic principles indicate that terminal use will be reduced if the fee is raised. The extent of the reduction depends on the price elasticity of the users' demand (need) for the terminal. In turn, price elasticity depends on the alternative modes of shipment that

²⁹ The charge stated on HEIA's projection worksheets is LE 245. However, outside users of non-horticultural perishables (medicines such as insulin, eggs, and bees) are charged LE 280 per ton to ship through the facility. There is no subsidy for these other perishables.

may be available (e.g. ocean freight), and on the ability of exporters to pass higher costs on to import buyers abroad. The greater the competition from similar products of other countries, the more difficult it will be to pass the terminal charge on to the import buyers.

HEIA members and staff were queried as to their expectations on what will happen to use if the fee is tripled. The consensus seemed to be that use will go down somewhat, depending on the commodity. For strawberries, fresh salad greens, tomatoes, green beans and cucumbers, exporters have little choice but to ship by air. In the case of table grapes, which are a major terminal user, about half of all shipments are currently being sent by ocean freight. A much higher fee for the terminal would encourage more ocean shipment, although it is an inferior mode due to time delays which are often 5-6 days.

The HEIA staff think that an increase of LE 155 per ton in the cost to the terminal to the user is unlikely to affect use very much. They point out that a total cost of LE 240 is not great when compared to the current air freight charge of about LE 1000 per ton. Air freight charges were increased from LE 700 to LE 1000 per ton during the past year, with little effect on horticultural air shipments. Furthermore, the total LE 240 cost of using the terminal is equivalent to less than US \$ 40 per ton, which is lower than the US \$60 per ton paid by Israeli shippers for use of comparable facilities.

The Team thinks that there will be some decline in use of the terminal if the fee increases, although it is not possible to estimate how much of a decline without a far more detailed investigation. For planning purposes, we have first assumed that the Export Promotion payments (subsidy / tax refund) will end after 2004 and that users will thereafter be required to pay the full LE 245 fee. We further assume that this will cause a 40% drop in the use of the terminal in 2005. However, we expect that terminal use will expand at an annual rate of 10 percent after 2005, reflecting the strong growth that the horticultural export sector has recently demonstrated. The 10 percent growth after 2005 could be further assured by additional promotion of use by non-HEIA and by non-horticultural exporters.³⁰ The results of the projections resulting from this scenario are shown in Table VIII.3.

The analysis shows that HEIA would experience losses of about LE 3 million per year for the first several years but that these losses would begin to decline, due initially to the projected expansion in use after 2005. HEIA plans that they will no longer need the technical consulting services of Lufthansa after 2008, and this will cause an additional savings of over LE 1 million per year after that time. Furthermore, the loan payments will be completed after 2012, which will result in an additional saving. Thus, while the accumulated losses are projected to reach LE 8.8 million by the end of 2008, they would decline quickly thereafter. The scenario described above and depicted in Table VIII.3 therefore predicts annual surpluses increasing from over LE 1 million in 2009 and reaching almost LE 7 million by 2015. The net result would be an accumulated surplus of LE 18 million by 2015.

³⁰ Non-HEIA and non-horticultural shippers do currently use the Terminal, but further promotion can expand such use.

If the scenario discussed above should in fact evolve, it would present a serious near-term trouble for HEIA. The cash flow crisis that would evolve over the next 6-8 years would be very difficult for the association to deal with.

If the MOFT Export Promotion subsidy payments continue through 2006, as the Board now hopes, the situation should be easier for the association to deal with since it appears that a surplus will be generated as long as the payments continue. When the payments are stopped, however, it will be necessary for HEIA to increase the price charged to users. As noted above, it will be a big shock to users to go from LE 85 to LE 245 in a single jump. Another approach would be for the association to start increasing fees to the users right away, but in smaller steps. It should be easier for users to cope if the fees are increased gradually, and HEIA will also gain experience on how users react to increases.³¹ Furthermore, if MOFT permits the payments to continue while HEIA increases fees, this will allow HEIA to accumulate additional surplus to be used to cover possible deficits that may occur after users must bear the full charges.

In a second scenario for planning purposes, we assumed that the Export Promotion subsidy continues through 2006 but that HEIA begins to increase its charges to users in steps, beginning in 2005. We assumed the user will pay LE 135 per ton in 2005, LE 190 per ton in 2006, and the full LE 245 per ton in 2007 and after. In reaction to these higher prices, we assumed that terminal use will drop by 10 percent during each of the years 2005, 2006, and 2007, but that it will increase by 10% per year thereafter, due to the continued expansion of Egypt's horticultural export shipments. Results of this second scenario are shown in Table VIII.4. They show that some deficits may still be incurred in 2007 and 2008, after the subsidy is dropped, but that surpluses would be generated after that point.

The analysis presented in both scenarios explored above is based on very limited information. It suggests that HEIA may face some problems with deficits in the RPT when the Export Promotion subsidy ends, and that these problems will be more or less severe depending on user reactions to higher prices, depending on how soon the subsidy is actually discontinued, and depending on how HEIA manages the situation. Should the worst case scenario emerge, this could be very difficult for HEIA to deal with. Therefore, it is incumbent on the association to make a more careful analysis, to get a better idea of what is likely to happen and to take action to ensure that a more workable situation develops.

It is recommended that HEIA immediately undertake such an analysis.

³¹ In effect, this will allow HEIA to learn about the shape of users demand curve.

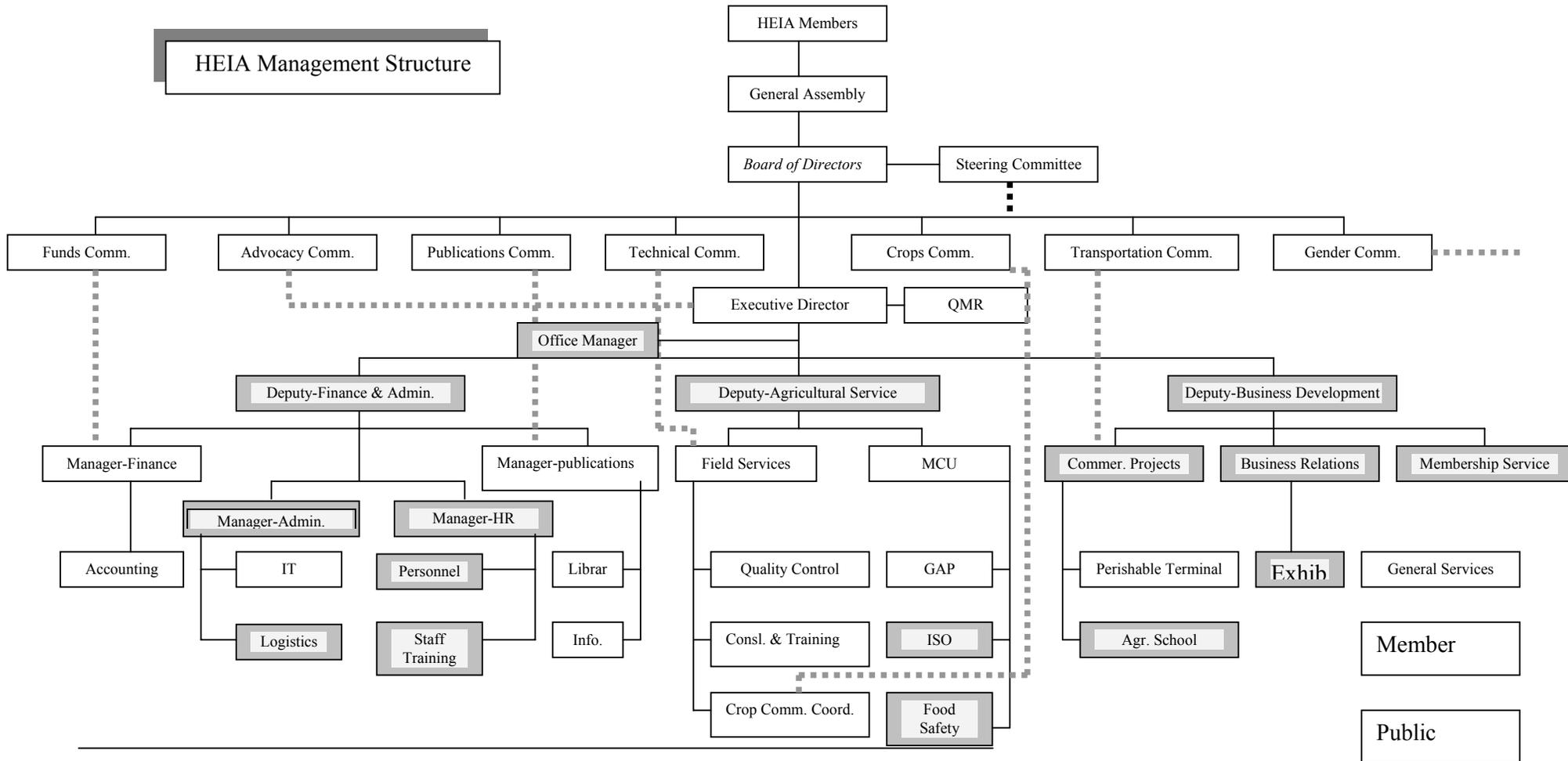
Table VIII.1 HEIA Refrigerated Perishables Terminal									
- Actual Performance First 6 Months, Estimate First Year									
(Egyptian Pounds)							Actual First Half 2004	Estimated Actual Full 2004	
	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04			
Quantity of Exports (met.tons)	4,362	3,248	3,889	4,052	3,520	4,893	23,964	44,138	
Revenues:	--- Egyptian Pounds ---								
User charges	370,197	319,474	337,259	358,158	313,823	442,530	2,141,441	3,751,713	
Export Promotion Fund	0	0	0	2,000,000	1,816,808	516,185	4,332,993	6,922,048	
Sub-total	370,197	319,474	337,259	2,358,158	2,130,631	958,715	6,474,434	10,673,761	
Offices rented out	5,500	36,000	0	0	18,000	0	59,500	119,000	
Cafeteria rental	2,500	0	2,700	2,700	2,700	2,700	13,300	26,600	
Sub-total	8,000	36,000	2,700	2,700	20,700	2,700	72,800	145,600	
Total Revenues	378,197	355,474	339,959	2,360,858	2,151,331	961,415	6,547,234	10,819,361	
Expenses:									
Egypt Air Management	140,029	480,060	0	305,305	271,930	554,295	1,751,619	3,503,238	
Lufthanza Fees	20,000	0	53,000	25,123	0	108,400	206,523	810,300	
Rent	0	0	48,384	0	0	24,192	72,576	145,152	
Operating Expenses	11,175	33,153	43,927	21,826	62,157	42,730	214,968	429,936	
Maintenance Expenses	0	0	4,607	441	0	1,740	6,788	13,576	
Overhead & Administration	71,520	32,444	68,359	30,809	54,932	37,003	295,067	590,134	
Loan Interest	0	0	0	0	0	510,000	510,000	1,020,000	
Total Expenses	242,724	545,657	218,277	383,504	389,019	1,278,360	3,057,541	6,512,336	
Net Cash from Operations	135,473	-190,183	121,682	1,977,354	1,762,312	-316,945	3,489,693	4,307,025	
Loan principal payments	0	0	0	0	0	0	0	500,000	
Equipment Replacement	14,781	10,354	104,850	346,458	71,534	937,320	1,485,297	2,569,424	
Total, capital outlays	14,781	10,354	104,850	346,458	71,534	937,320	1,485,297	2,569,424	
Net Surplus	120,692	(200,537)	16,832	1,630,896	1,690,778	(1,254,265)	2,004,396	1,237,601	
Accumulated Surplus	120,692	(79,845)	(63,013)	1,567,883	3,258,661	2,004,396	2,004,396	1,237,601	

Table VIII.2 HEIA Refrigerated Perishables Terminal - Actual Performance 2004, and 2004-2015 Projections								
	Est.Actual 2004	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2010	Projected 2015	
Quantity of Exports (met.tons)	44,138	42,306	44,138	46,345	48,662	56,332	71,896	
Charge to user (LE / ton)	85	85	85	85	85	85	85	
EPF Subsidy (LE / ton)	160	160	160	160	160	160	160	
Revenues:		(Egyptian Pounds)						
User charges	3,751,713	3,596,010	3,751,713	3,939,299	4,136,264	4,788,242	6,111,145	
Export Promotion Fund	6,922,048	6,634,770	6,922,048	7,268,150	7,631,558	8,834,482	11,275,287	
Sub-total	10,673,761	10,230,780	10,673,761	11,207,449	11,767,822	13,622,724	17,386,432	
Offices rented out	119,000	140,000	156,000	156,000	156,000	156,000	156,000	
Cafeteria rental	26,600							
Sub-total	145,600	140,000	156,000	156,000	156,000	156,000	156,000	
Total Revenues	10,819,361	10,370,780	10,829,761	11,363,449	11,923,822	13,778,724	17,542,432	
Expenses:		26.8%	28.6%	28.6%	28.6%			
Egypt Air Management	3,503,238	2,739,590	3,050,446	3,202,968	3,363,117	3,893,228	5,032,708	
Lufthanza Fees	810,300	810,300	1,332,070	1,456,007	1,516,208	0	0	
Rent	145,152	407,652	407,652	407,652	407,652	407,652	407,652	
Operating Expenses	429,936	453,040	475,692	499,477	524,450	607,117	774,852	
Maintenance Expenses	13,576	24,000	348,747	366,185	384,494	445,100	515,259	
Overhead & Administration	590,134	591,300	620,865	651,908	684,504	792,399	1,011,324	
Loan Interest	1,020,000	1,020,000	977,500	892,500	765,000	255,000	0	
Total Expenses	6,512,336	6,045,882	7,212,972	7,476,697	7,645,424	6,400,495	7,741,794	
Net Cash from Operations	4,307,025	4,324,898	3,616,789	3,886,752	4,278,397	7,378,229	9,800,638	
Loan principal payments	0	500,000	1,000,000	1,500,000	2,000,000	1,500,000	0	
Sinking Fund (Depreciation)	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424	
Total, capital outlays	2,569,424	3,069,424	3,569,424	4,069,424	4,569,424	4,069,424	2,569,424	
Net Surplus	1,737,601	1,255,474	47,365	(182,672)	(291,027)	3,308,805	7,231,214	
Accumulated Surplus		1,255,474	1,302,839	1,120,166	829,140	7,254,740	37,067,590	
		Average surplus, 2004-2015						3,088,966

Table VIII.3 HEIA Refrigerated Perishables Terminal -No EXF After 2004 - Adjusted Cash Flow for Charging Full Fee to Users						
Assume 2005 use down 40%, thereafter 10% annual increase	Est.Actual	Projected	Projected	Projected	Projected	
	2004	2005	2006	2008	2010	2015
Quantity of Exports (met.tons)	44,138	26,483	29,131	35,248	42,651	68,689
Charge to user (LE / ton)	85	245	245	245	245	245
EPF Subsidy (LE / ton)	160					
Revenues:		(Egyptian Pounds)				
User charges	3,751,713	6,488,257	7,137,082	8,635,870	10,449,402	16,828,867
Export Promotion Fund	6,922,048					
Sub-total	10,673,761	6,488,257	7,137,082	8,635,870	10,449,402	16,828,867
Offices rented out	119,000	156,000	156,000	156,000	156,000	156,000
Cafeteria rental	26,600					
Sub-total	145,600	156,000	156,000	156,000	156,000	156,000
Total Revenues	10,819,361	6,644,257	7,293,082	8,791,870	10,605,402	16,984,867
Expenses:						
Egypt Air Management	3,503,238	1,661,064	1,823,271	2,197,967	2,651,351	4,246,217
Lufthanza Fees	810,300	1,332,070	1,456,007	882,282	0	0
Rent	145,152	407,652	407,652	407,652	407,652	407,652
Operating Expenses	429,936	475,692	499,477	550,673	607,117	774,852
Maintenance Expenses	13,576	348,747	366,185	403,719	445,100	515,259
Overhead & Administration	590,134	620,865	651,908	718,729	792,399	1,011,324
Loan Interest	1,020,000	977,500	892,500	595,000	255,000	0
Total Expenses	6,512,336	5,823,590	6,096,999	5,756,022	5,158,618	6,955,303
Net Cash from Operations	4,307,025	820,666	1,196,083	3,035,848	5,446,784	10,029,564
Loan principal payments	500,000	1,000,000	1,500,000	2,000,000	1,500,000	0
Sinking Fund, Facility Replace	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424
Total, capital outlays	3,069,424	3,569,424	4,069,424	4,569,424	4,069,424	2,569,424
Net Surplus	1,237,601	(2,748,758)	(2,873,341)	(1,533,576)	1,377,360	7,460,139
Accumulated Surplus	1,237,601	(1,511,157)	(4,384,498)	(8,764,714)	(7,304,614)	18,731,868
				Average surplus, 2004-2015		1,560,989

Table VIII.4 HEIA Refrigerated Perishables Terminal - EPF Subsidy Maintained through 2006 - Adjust Cash Flow for Charging Full Fee to Users							
Assume: Usage down 10% in each year 2005, 06, 07, then 10% annual growth	Est.Actual 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009	2015
Quantity of Exports (met.tons)	44,138	39,724	35,752	32,176	35,394	38,934	68,973
Charge to user (LE / ton)	85	135	190	245	245	245	245
EPF Subsidy (LE / ton)	160	160	160				
Revenues:							
User charges	3,751,713	5,362,743	6,792,807	7,883,232	8,671,555	9,538,710	16,898,407
Export Promotion Fund	6,922,048	6,355,843	5,720,259	0			
Sub-total	10,673,761	11,718,586	12,513,066	7,883,232	8,671,555	9,538,710	16,898,407
Offices rented out	119,000	156,000	156,000	156,000	156,000	156,000	156,000
Cafeteria rental	26,600						
Sub-total	145,600	156,000	156,000	156,000	156,000	156,000	156,000
Total Revenues	10,819,361	11,874,586	12,669,066	8,039,232	8,827,555	9,694,710	17,054,407
Expenses:							
Egypt Air Management	3,503,238	2,968,646	3,167,267	2,009,808	2,206,889	2,423,678	4,263,602
Lufthanza Fees	810,300	1,293,101	1,193,790	1,104,411	1,184,853	0	0
Rent	145,152	407,652	407,652	407,652	407,652	407,652	407,652
Operating Expenses	429,936	475,692	499,477	524,450	550,673	578,207	774,852
Maintenance Expenses	13,576	348,747	366,185	384,494	403,719	423,905	515,259
Overhead & Administration	590,134	620,865	651,908	684,504	718,729	754,665	1,011,324
Loan Interest	1,020,000	977,500	892,500	765,000	595,000	425,000	0
Total Expenses	6,512,336	7,092,203	7,178,779	5,880,319	6,067,514	5,013,106	6,972,688
Net Cash from Operations	4,307,025	4,782,383	5,490,288	2,158,912	2,760,041	4,681,604	10,081,719
Loan principal payments	500,000	1,000,000	1,500,000	2,000,000	2,000,000	2,000,000	0
Sinking Fund, Facility Replace	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424	2,569,424
Total, capital outlays	3,069,424	3,569,424	4,069,424	4,569,424	4,569,424	4,569,424	2,569,424
Net Surplus	1,237,601	1,212,958	1,420,864	(2,410,512)	(1,809,383)	112,180	7,512,295
Accumulated Surplus	1,237,601	2,450,559	3,871,423	1,460,911	(348,472)	(236,292)	27,427,416
						Average surplus, 2004-2015	2,285,618

APPENDIX IX: HEIA ORGANIZATIONAL CHART



APPENDIX X: THE EXECUTIVE STATUTE OF LAW No. 84/2002 ON NON GOVERNMENTAL SOCIETIES AND ORGANIZATIONS – ARTICLE 84

The Board of Directors has all the power necessary for managing the association's affairs particularly the following:

1. Electing the board chairman, the deputy chairman, the treasurer, the general secretary and determining the roles and responsibilities of each one of them.
2. Preparing the internal policies to be submitted in the general assembly meeting.
3. Forming the committees the board considers necessary for the good process of work and determining the jurisdictions of each of them.
4. Appointing the workers required for serving the association.
5. Preparing studies for determination of the service and productive projects required for realizing and executing the purposes of the association.
6. Setting up exhibitions, parties, charity fairs, sporting matches and campaigns for collecting authorized donations, and other activities necessary for consolidating the association's financial resources.
7. Approve the contracts and agreements to be conducted by the association.
8. Determining the amount of the imprest for spending therefrom on daily and ordinary expenses.
9. Preparing the closing account of the ending financial year, the draft budget for the new year, and the annual report comprising of a statement on the association's activity, its financial situation and the new projects it reckons carrying out the following year.
10. Inviting the general assembly to convene and implementing its resolutions.
11. Discussing the auditor's report, preparing a reply to the remarks contained therein, and submitting them to the general assembly.
12. Discussing the remarks of the concerned administrative quarter, preparing a reply thereto, and working on averting them if they comprise violations contradicting with the law, its executive statute or the association's statutes.
13. Informing the administrative quarter of the decisions issued thereby or the resolutions of the general assembly, within the dates prescribed therefore.

APPENDIX XI: HEIA EXECUTIVE STATUTE

Board of Directors' Role **Article 38**

The Board of Directors has all the power necessary for managing the association's affairs particularly the following:

1. Electing the board chairman, the deputy chairman, the treasurer, the general secretary and determining the roles and responsibilities of each one of them.
2. Preparing the internal policies to be submitted in the general assembly meeting.
3. Forming the committees the board considers necessary for the good process of work and determine their roles.
4. Appointing the workers required to work in the association.
5. Conducting researches to identify the service and productive projects needed to achieve the association's purposes and executing them.
6. Setting up exhibitions, charity fairs, sporting matches and campaigns for collecting authorized donations, together with other activities needed to consolidate the association's financial resources.
7. Approve contracts and agreements to be conducted by the association.
8. Determining the amount of the permanent advance for spending on daily and ordinary expenses.
9. Preparing the closing account of the ending financial year, the draft budget for the new year, and the annual report comprising of a statement on the association's activity, its financial situation and the new projects it reckons carrying out the following year.
10. Inviting the general assembly to convene and implementing its resolutions.
11. Discussing the auditor's report, preparing a reply to the remarks contained therein, and submitting them to the general assembly.
12. Discussing the remarks of the concerned administrative quarter, preparing a reply thereto, and working on averting them if they comprise violations contradicting with the law, its executive statute or the association's statutes.

Article 39

The board of directors has the right to delegate all or part of its responsibilities to a Steering Committee comprising of the chairman or his deputy, treasurer, the general secretary or whoever the board nominates from his members so as the maximum number of the Steering Committee should not exceed 5 members. The committee should meet at least once every month to present the association's work situation related to whatever roles they are taking care of and its meeting will be considered correct if at least three of its members attend having either the chairman or his deputy present, as well as the treasurer. The decisions of this Steering Committee should be presented to the board regularly.

The Steering Committee Roles are:

1. Approving the financial spending within the limit that is determined by the board.
2. Approving nomination of employees, appointing them and giving them penalties within the regulations set by the board and the policies.
3. Approving the annual inventory reports.
4. Approving spending from the permanent and temporary advances based on the needs and the work situation.
5. Looking through the projects' executive strategy and new recommendations, as well as, the budget and the financial auditor's report and answering all comments before presenting it to the board.
6. Approving the other committees' decisions before presenting them to the board.
7. Presenting the committee's decision to the board to be approved.
8. Take the required decisions within the roles that have been nominated to it from the board.

Article 40

The Chairman of the Board responsibilities are as follows:

1. Heading the General assembly and the Board meetings, as well as the internal committees which he attends and has the authority to call for.
2. Representing the association in front of the Administration authorities as well as courts.
3. Approving the board meetings' agenda and following up on executing its decisions.
4. Signing on behalf of the association all contracts and agreements approved by the board, taking into consideration the cases which need the approval of the general assembly.
5. Signing together with the general secretary the meeting reports as well as the administrative decisions and employees' matters.
6. Signing all cheques and financial papers together with the treasurer.
7. Taking decisions in urgent matters presented to him by the general secretary until the executive committee or the board meets. He should present his decisions in the urgent matters that he has taken a decision for to the board in the first board meeting.
8. In case the chairman is absent, his deputy or whoever the board nominates will execute his roles and will have all the chairman's authorities.