

STDF PROJECT PREPARATION GRANT (PPG)

APPLICATION FORM

The Standards and Trade Development Facility (STDF) provides Project Preparation Grants (PPGs), up to a maximum of US\$50,000, for the following purposes (or a combination thereof):

- application of SPS-related capacity evaluation and prioritization tools;
- preparation of feasibility studies that may precede project development to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or
- preparation of projects proposals that promote compliance with international SPS requirements, for funding by the STDF or other donors.

Applications that meet the STDF's eligibility criteria are considered by the STDF Working Group, which makes the final decision on funding requests. Complete details on eligibility criteria and other requirements are available in the *Guidance Note for Applicants* on the STDF website (www.standardsfacility.org). Please read the *Guidance Note* before completing this form. Completed applications should be sent by email (as Word documents) to STDFSecretariat@wto.org.

PPG Title	Assessing the Establishment of a HPAI Free Compartment in Egypt
Budget requested from STDF	US\$ 49,000
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I. BACKGROUND AND RATIONALE

1. *What is the purpose of this PPG? Explain whether it is requested to: (i) apply an SPS-related capacity evaluation or prioritization tool; (ii) prepare a feasibility study (prior to project development) to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or (iii) prepare a project proposal for consideration by the STDF or other donors?*

The Egyptian poultry sector would like to re-enter the international trade in hatching eggs and day-old chicks for broiler production. This was an activity that was brought to an end with the emergence of highly pathogenic avian influenza H5N1 in 2006. In order to re-establish the trade, Egypt would need to compartmentalize its poultry sector; demonstrating to trade partners that the facilities involved in producing the hatching eggs and day-old chicks have acceptable risk of disease introduction, exposure and dissemination. The current document lays out a framework to assess the costs, risks and cost-benefit analysis of the compartmentalization.

The main purpose of this application is to prepare a feasibility study (prior to full project development) to assess the potential impact, technical and economic viability of implementation of the OIE standards on compartmentalization in Egypt to facilitate trade in hatching eggs and broiler day old chicks.

The funds would be used for a detailed assessment of the current capacity and gaps of the country to implement the standards, identify the expected costs and benefits, and prepare a roadmap towards the establishment of compartments in the poultry sector based on strong public private partnership.

2. *Explain the key SPS problems and/or opportunities to be addressed. Clarify why these issues are important, with attention to market access and poverty reduction. Describe, if relevant, how these issues relate to SPS priorities in the Enhanced Integrated Framework's Diagnostic Trade Integration Studies (DTIS), the findings of SPS-related capacity evaluations, national poverty reduction strategies, sector development strategies or policies, etc. See Qn. 7. (b) – (d) of the Guidance Note.*

The poultry sector in Egypt currently secures direct and indirect jobs for nearly 2.5 million people¹. Prior to 2006, Egypt was an exporting country for hatching eggs and day-old chicks (DOC) for most of Arab and African countries. As of 2006, there were four poultry enterprises in Egypt owning layer parent stock with an annual average capacity of around 280,000 layer parent stock, producing 21.5 million layer day old chicks (LDOC), of which around 1.5 to 2 million LDOC were exported per year in 2004 and 2005². In 2006, Egypt was exporting around 6,400 tons of live chicken annually, with the total value of US\$7.3 million equivalent. Since incursion of highly pathogenic avian influenza (HPAI) H5N1 in 2006, access to markets was suspended. The potential lost export income is estimated at least US\$112 million. Potential export markets exist (e.g., Sudan, Lebanon), which are targeted by companies.

Beyond access to markets, the capacity to export provided by compartmentalization would stabilize the poultry industry in Egypt and reduce the current volatility of the domestic market. In that sense, compartmentalization is expected to have a positive impact on small-scale producers as well.

The epidemiological situation of HPAI is complex in Egypt. In this context and based on Article number 6 of the SPS agreement, the Government of Egypt (GOE) needs to establish a framework of SPS measures within the country to demonstrate to trading partners that compartments of the poultry sector are HPAI—free. Despite GOE efforts to comply with OIE international standards and monitor the companies intended to export, the poultry producers and companies still suffers from limitations in capacity to export their products.

The World Bank supported the national response to HPAI emergency in 2007³. The objective of the project was to minimize the threat posed to human and poultry in Egypt by HPAI infections and other zoonoses in domestic poultry. Long-term underfunding of the veterinary services was identified as a problem, leading to weak agencies with little capacity to address animal health and respond to emergencies when they arise.

According to a 2008 feasibility study⁴, some industrialized producers could potentially implement a successful compartmentalization policy that would enable them to reinstate their export markets. The study points that a key for successful implementation depends on clear legislation based on the OIE standards for compartmentalization and close oversight by the veterinary authority. The capacity of the veterinary services in Egypt has been assessed through the PVS pathway and a

¹ State Information Service: "PM: EGP 64.5 bn in investments in poultry, broiler meat production" <http://www.sis.gov.eg/Story/135510/PM-EGP-64.5-bn-in-investments-in-poultry%2C-broiler-meatproduction?lang=en-us>

² FAO: Poultry Sector Country Review (2008)

³ World Bank. 2013. Egypt - Avian and Human Influenza Control And Prevention (English). Washington, DC: World Bank Group. <http://documents.worldbank.org/curated/en/834041474509812934/Egypt-Avian-And-Human-Influenza-Control-And-Prevention>

⁴ FAO: Feasibility of Applying Compartmentalization for Highly Pathogenic Avian Influenza in Egypt (2008)

GAP analysis has been performed, which provides a strong analytical basis for this study⁵. The report lists a number of activities to be undertaken in order to strengthen competencies for animal health, international trade and import control, veterinary public health, laboratories, general management and regulatory services.

The Egypt's private sector poultry producers also hold significant interest in the establishment of this compartment. The private sector interest is spearheaded by Wadi Group, one of the largest poultry producers in the country. The company has identified significant market opportunities in the export of hatching eggs and day-old chicks, predominantly to Turkey, the Gulf Council Countries (GCC), and other countries in the Middle East and North Africa. As part of this aspiration, the company has done a series of investments in improving their poultry operations efficiency and biosecurity. These initial investments have already yielded results by reducing the production costs by 11% and hence improved the margins. The company is prepared to make further investments as necessary to meet the compartment requirements.

3. Which government agencies, private sector, academic or other organizations support this PPG request? Letters of support from each of these organizations would be advantageous (Appendix 1). See Qn. 7. (e) of the Guidance Note.

The PPG application is submitted by the General Organization of Veterinary Services, Egypt, in coordination with private sector representatives. The Poultry Association and Wadi Group will provide private sector perspective and inputs, to ensure that this work ensures maximum benefits to the private poultry producers. Wadi Group will be the "demonstration poultry farm" for concept developed under this application

The following key organizations have expressed their keen interest and support in this work, as attested by their support letters attached to this application:

- Animal Health Research Institute (AHRI)
- National Laboratory for Veterinary Quality Control of Poultry Production (NLQP)
- Egyptian Poultry Association (Private sector)
- Wadi Group (Private sector)

The International Finance Corporation (IFC), the private arm of the World Bank Group, provides support to the Wadi Group. The World Bank will assist in the implementation of the PPG.

The PPG will also benefit from the support of the University of Liverpool (Global Burden of Animal Diseases Project) and the FAO country office in Cairo, staff of which have contributed to the preparation of this application.

4. How does this PPG complement and/or build on past, ongoing and/or planned national programmes and/or donor-supported projects? See Qn. 7. (f) of the Guidance Note.

The poultry production sector in Egypt includes few integrated farms considered as sector 1⁶, these farms have good biosecurity in place and have not been infected by HPAI. These integrated farms are those that could implement a compartmentalization policy. The ultimate goal of this policy is to resume exports of hatching eggs and live day-old chicks, which were stopped as the result of the HPAI outbreaks since 2006.

Preparation for HPAI free compartments in Egypt has a strong foundation of cooperation between the veterinary services and the poultry producers association. As mentioned above, the Wadi

⁵ OIE PVS GAP Analysis Report (2010)

⁶ This is according to the FAO classification of livestock production systems, where: (i) Sector 1 is an industrial integrated system with high level biosecurity and birds/products marketed commercially; (ii) Sector 2 is a commercial poultry production system with moderate to high biosecurity and birds/products usually marketed commercially (e.g. farms with birds kept indoors continuously; strictly preventing contact with other poultry or wildlife); (iii) Sector 3 is another commercial poultry production system but with low to minimal biosecurity and birds/products entering live bird markets (e.g. a caged layer farm with birds in open sheds); and (iv) Sector 4 is village or backyard production with minimal biosecurity and birds/products consumed locally.

Group is expected to spearhead the approach. On the basis of this proof of concept, a few additional compartments are expected to be established. Significant efforts remain to reduce the incidence of the infection in the domestic poultry in all sectors. Further roll out of the compartmentalization policy will be adjusted according to the result of surveillance and taking in consideration the epidemiological situation of HPAI, animal movements, quarantine, surveillance according to OIE standards. In order to accomplish this, the GOE requests technical assistance and support to veterinary services and private sector to plan and implement HPAI free compartments.

Egypt has established the National Food Safety Authority (NFSA) with a Programming Framework that reflects the priorities and the support needed by the GOE. In collaboration with FAO, GOE has started enhancing regulations and frameworks of sanitary and phytosanitary measures, sustainable agriculture, and good hygienic practices, as well as working with the Egyptian NFSA to develop an action plan for capacity development for sanitary and phytosanitary surveillance and control system by 2020.

5. *Have you discussed this PPG request – or funding for the project proposal which would result from it – with any potential donors (bilateral, multilateral, Enhanced Integrated Framework, etc.)? If so, provide details below and indicate potential sources of funding for the resulting project. See Qn. 7. (g) of the Guidance Note.*

This PPG request has been prepared with significant inputs from the World Bank Group, OIE and FAO. The World Bank does not have on-going active projects in Egypt, which could leverage this funding; however, it will support the PPG to ensure successful implementation of the work described in this application given the importance and need of the poultry sector in Egypt. IFC will provide support to the private sector. Some technical assistance is being provided in this regard under an ongoing project but with limited interventions that are not directly related to the work under this application.

6. *Briefly explain how cross-cutting issues (e.g. related to gender, the environment) are relevant for this PPG and, if appropriate, how they will be addressed.*

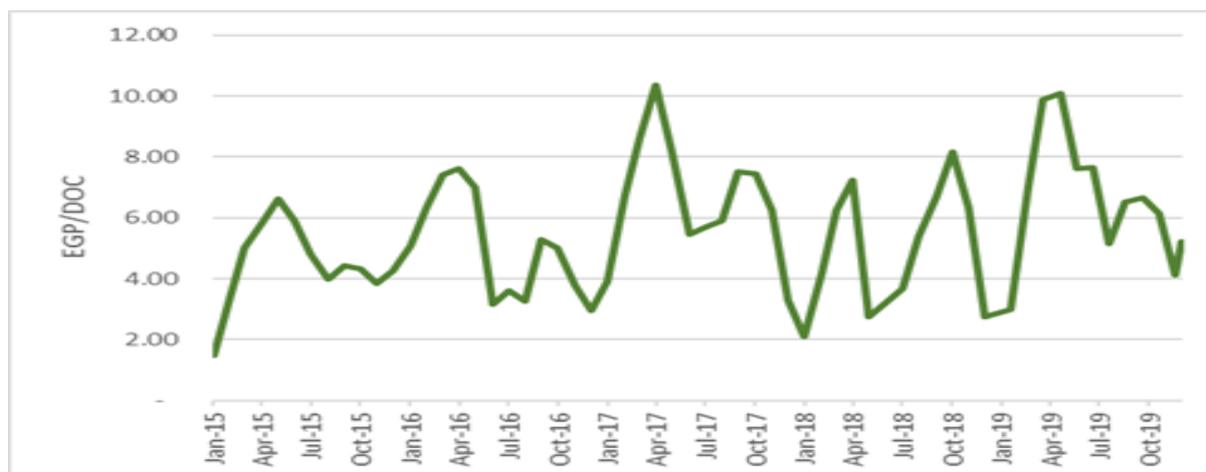
Avian influenza is now endemic in Egypt's poultry population, and the task of future policy and actions is the long-term reduction of the risk for humans and for the poultry industry. The poultry industry in Egypt includes large-scale technical, fully integrated, and industrialized poultry and egg production firms (Sectors 1 and 2)⁷; small-scale family-owned commercial farms operating mostly in the informal sector without registration or licenses (Sector 3); and a vast number of household or "backyard" producers (Sector 4) throughout the country, comprised of mostly women who raise poultry for family consumption and sale in local markets. The brunt of the government's control measures taken in response to the HPAI crisis have been directed at relatively small-scale commercial farms; and more importantly, at rural women who are household producers.

The historical, cultural, and economic significance of household poultry-raising and live bird markets provides an opportunity to recognize the status, independence, and empowerment of rural women in the family and the community. To be sustainable, future policies must be socially viable and collaborative, and should seek to correct the effects of the HPAI response in Egypt to date in terms of poverty, malnutrition, health, increased social inequality as well as the general suspicion of and lack of confidence in relevant government entities. A compartmentalization policy will have indirect spill-over effects on the domestic market. As family-owned operations often have poultry sheds located adjacent to family residences, experience suggests that the wife and other family members are also involved in farm management. As increasing attention is being given to Sector 3 commercial farms in terms of policy measures and assistance in bio-security, a rapid assessment of the socio-economic context, the roles of the wife/others in the household, and of the gender relations in management of these farms is recommended as a base for socially viable and sustainable measures.

It is also expected that successful compartmentalization policy in Egypt would contribute to reducing the current volatility of prices on the domestic market (Figure 1 below).

⁷ FAO poultry farm classification system.

Figure 1: DOC prices fluctuate on the back of the hibernation of small-scale farms during the winter season and market downturn



Establishment of the compartment would allow Wadi Group (and other interested poultry producers) to export excess production during the off-season, which in turn would reduce the supply glut and support pricing, thus resulting in a positive impact on the many small-scale farmers involved in poultry production.

II. IMPLEMENTATION & BUDGET

7. Who will take the lead in implementing this PPG? If particular national experts and/or international consultants are proposed, attach a copy of their Curriculum Vitae and record of achievements. If no names are provided, the STDF will provide a shortlist of consultants if the PPG request is approved.

The PPG will be managed by the World Bank and implemented by the General Organization for Veterinary Services (GOVS), under the overall guidance of the Ministry of Agriculture and Land Reclamation (MALR). The GOVS will work closely with the National Laboratory for Quality Control of Poultry Production (NLQP), private sector (Wadi Group) and Egyptian Poultry Association and institutions with livestock- and health-related programmes and projects in the country.

8. In the table below, briefly describe the main activities to be carried out under this PPG and specify who would be responsible. Provide an estimate of the budget required (e.g. for national/international expertise, travel and DSA of consultants, stakeholder meetings or workshops, general operating expenses, etc.).

Activity	Responsible	Estimated Budget (US\$)
Consultant: International consultant on the compartment standard	Review/Conduct the study as per TOR in Annex 1 Fees: 30 days*\$600=18,000	18,000
Consultant: Cost-benefit analysis of (University Liverpool)	Conduct the cost-benefit analysis as per the proposal in Annex 2 Fees: Lumpsum	10,000

Consultants: National consultants (persons/months) assist in the implementation of activities:	1-National Consultant focal point (one person/1 month) –to provide overall coordination within GOVS and with the private sector, as well as monitoring of the various activities implemented under the project. Fees: 30 days*\$150/day = US\$4,500	4,500
	2-National Animal Health Expert (one person/ 1 months) who will be responsible be responsible for the implementation of various activities related to Animal Health under the project. Fees: 30 days*\$150/day = US\$4,500	4,500
Support National staff	On the case by case basis - Driver; translator/interpreter Translator/Interpreter: 30 days*\$75/day = US\$2,250 Driver fees: 30 days*\$35/day = US\$1,050	3,300
Travel	This budget line covers the national and international consultant travel costs, as well as any private sector travel costs associated with the work under PPG, and daily subsistence allowance (DSA) for staff and non-staff persons involved in the follow-up of the project's field activities and for attending coordination meetings and awareness workshops within the country.	5,300
Inception workshop and final report consultations and dissemination activities	Inception workshop, as well as final report finalization consultations and dissemination activities, which will include a final workshop. The final workshop is estimated to have participation of about 50 persons. The workshop expenses will include: rent of the meeting room (estimated \$1,500), food (\$1,000), preparation of materials and translation (\$900).	3,400
Grand total		49,000

TOR for Consultancy on Zoning and Compartmentalization of the Poultry Sector Egypt

Scope of Work:

- Review the World Organisation for Animal Health (OIE) standards with regard to the principles of zoning and compartmentalisation of an animal production system.
- Review the OIE guidelines with regard to the principles of surveillance and risk analysis.
- Review Appendix 3.8.9. of the OIE terrestrial code comprising specific guidelines for surveillance of Avian Influenza.
- Review FAO-produced and other relevant materials on the poultry sector in Egypt.
- Identify data/information (in selected producers) necessary for the PPG and feasibility of compartmentalization of the poultry sector in Egypt.
- Prepare the technical components of an inception workshop for discussions or presentations on zoning and compartmentalisation as it could be applied in the poultry sector for Ministerial (Ministry of Agriculture and Land Reclamation; MALR), General Organisation of Veterinary Services (GOVS), National Laboratory for Veterinary Quality Control on Poultry Production (NLQP) and commercial enterprises.
- Conduct site visits (if necessary) to appreciate the various poultry production and marketing systems in Egypt (breeder stock, broiler, layer, day-old chicken/duck and egg distribution; and the industrialised commercial sector in particular).
- Conduct analysis based on the proposed framework for the assessment of the compartmentalization of the Egypt poultry sector.
- Prepare the PPG report (including the roadmap) for MALR, GOVS and NLQP on the feasibility for establishing HPAI free zones or compartments within 10 days after mission completion.

Qualifications: The Consultant has an animal health economics experience with at least 15 years in aspects of international trade regulations, the OIE Code for Terrestrial Animals, veterinary administration regulatory services, and familiarity with poultry production.

A framework for the assessment of the compartmentalization of the Egypt poultry sector

Figure 2 (below) lays out a framework to assess the costs, risks and cost-benefit analysis of the compartmentalization.

The assessment will document what the public and private sector believe is the current flow of birds, feed, people and other inputs and outputs in the part of the Egyptian broiler sector that will be compartmentalized. The analysis will capture the current activities and costs of farm-level, sector level and national level biosecurity. Weaknesses in the current system will be identified and a strategy and activities will be determined to improve the biosecurity levels to a point where risks of disease introduction, exposure and spread are minimized. All these parts of the analysis will be carried out with the public sector (GOVS, governorate veterinary services, national laboratory) and the private sector (Wadi Group). The analysis will provide information to allow improved allocation of resources within the Egyptian poultry sector and more specifically resource allocation within Egypt. The analysis will be the basis for:

1. Cost estimation of the current and future biosecurity arrangements for the area that will be compartmentalized;
2. A risk assessment of current and future biosecurity arrangements for the area that will be compartmentalized; and
3. A market analysis of the current use of DOCs produced and the potential markets with a working and accepted compartment.

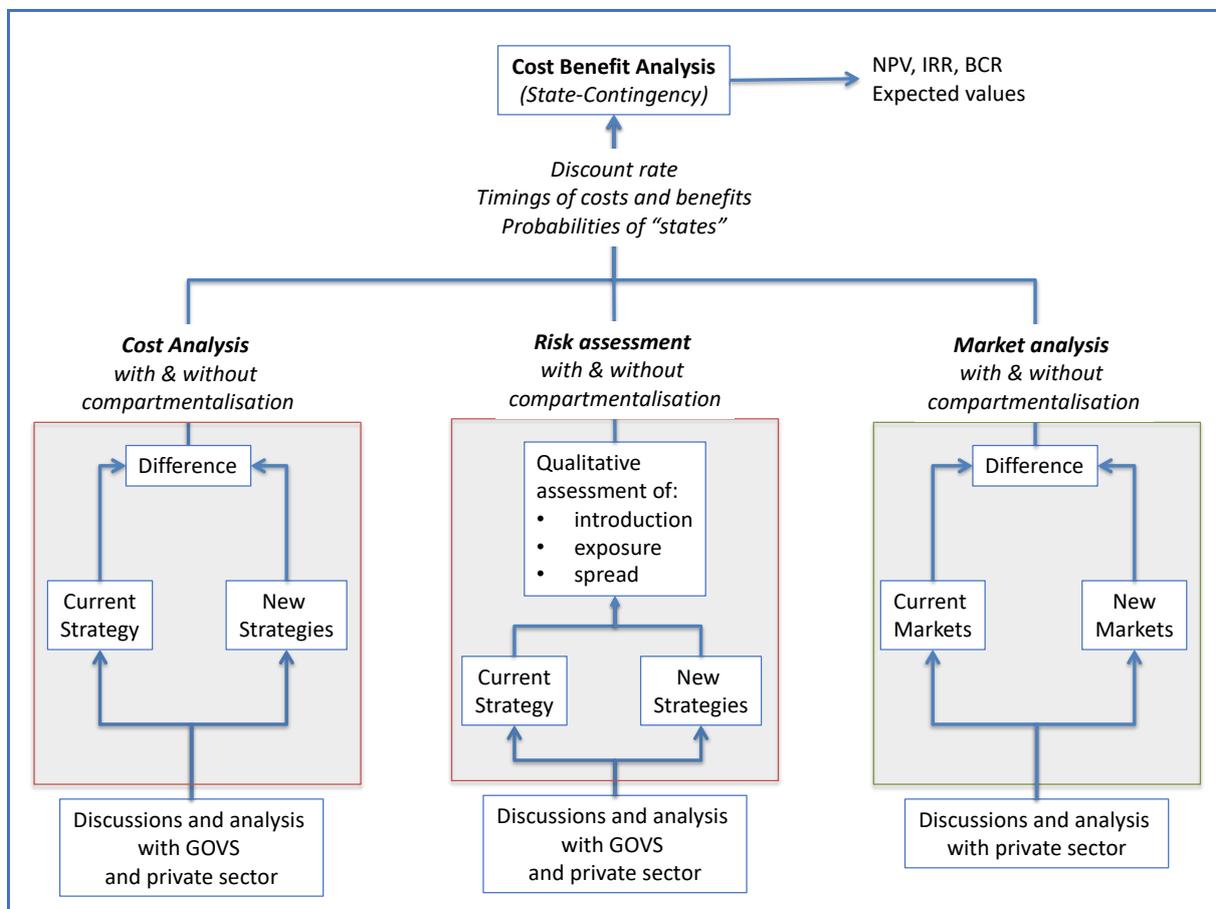


Figure 2. Summary of the analysis to be performed as part of the PPG