

[REDACTED]

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

PROJECT PAPER

**Egypt: Development Decentralization Project No. 263-0021;
Amendment No. 2 and attached Third Amendment to
Grant Authorization**

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE C A = Add C = Change D = Delete Amendment Number <u>2</u>	DOCUMENT CODE <u>3</u>
2. COUNTRY/ENTITY <u>Egypt</u>		3. PROJECT NUMBER <u>263-0021</u>	
4. BUREAU/OFFICE <u>NE/EI</u>		5. PROJECT TITLE (maximum 60 characters) <u>Development Decentralization</u>	

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>09/30/83</u>	7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY <u>78</u> B. Quarter <u>3</u> C. Final FY <u>80</u>
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A. FUNDING SOURCE	8. COSTS (\$000 OR EQUIVALENT \$1 =)			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	820	580	1,400	3,790	7,410	11,200
(Grant)	(820)	(580)	(1,400)	(3,790)	(7,410)	(11,200)
(Loan)	()	()	()	()	()	()
Other U.S. 1. US Owned LE	---	179	179	---	179	179
Host Country	---	391	391	---	2,786	2,786
Other Donor(s)	---	---	---	---	---	---
TOTALS	820	1,150	1,970	3,790	10,375	14,165

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE	D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
			1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SA	284	246	3,900	---	7,300	---	11,200	---
(2)								
(3)								
(4)								
TOTALS			3,900	---	7,300	---	11,200	---

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)	
A. Code	
B. Amount	

13. PROJECT PURPOSE (maximum 400 characters)

To strengthen the financial viability and development capability of selected village councils.

14. SCHEDULED EVALUATIONS	15. SOURCE/ORIGIN OF GOODS AND SERVICES
Interim MM YY <u>06/81</u> Final MM YY <u>06/83</u>	<input type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) <u>935</u>

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 20 page PP Amendment.)
 This amendment is to provide additional funding for the project in order to 1) cover local currency costs originally planned to be met from U.S. owned local currency; 2) provide additional funds to the Local Development Fund; 3) cover increased project dollar costs.

17. APPROVED BY	Signature	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
	Title	
	Director, USAID	MM DD YY <u>12/14/80</u>

REVISED LDF LOAN OPERATIONS SCHEDULE

(See Assumptions on accompanying sheet)

	<u>Year 1</u> (CY1979)	<u>Year 2</u> (CY1980)	<u>Year 3</u> (CY1981)	<u>Year 4</u> (CY1982)	<u>Year 5</u> (CY1983)	<u>Year 6</u> (CY1984)
<u>LOANS</u>						
Loans authorized	465,000	1,715,000	1,715,000	1,715,000	590,000	-----
Cumulative Disbursements	465,000	2,180,000	3,895,000	5,610,000	6,200,000	
<u>INTEREST INCOME</u>						
From Principal	7,700	53,900	37,000	37,000	3,900	-----
From Loans	- 0 -	35,400	106,700	188,500	288,000	349,700
Total Interest Earned	7,700	89,300	143,700	225,500	291,900	349,700
<u>REPAYMENTS</u>	- 0 -	- 0 -	23,200	264,500	607,500	950,500
<u>EXPENSES</u>	1360	42,300	42,300	42,300	42,300	42,300
<u>BALANCE OF AVAILABLE LOAN FUNDS</u>						
From AID Grant on Loans	5,735,000	4,020,000	2,305,000	590,000	- 0 -	- 0 -
From Interest Income	- 0 -	26,500	80,000	150,800	233,000	291,400
From Repayment	- 0 -	- 0 -	23,200	264,500	607,500	950,500
NET TOTAL	5,735,000	4,046,500	2,408,200	1,005,300	840,500	1,241,900

LDF Loan Operations

Assumptions reflected in the accompanying schedule are as follows:

1. AID will disburse \$6,200,000 in grants to meet demand for loan funds. The level of approved loans is assumed to be \$465,000 (LE 325,000) in the first year (CY1979) and \$1,715,000 (LE1,200,000) in each of the following three years (CY1980, 1981, 1982) and \$590,000 (LE 413,000) in the fifth year (CY 1983).
2. All loans authorized will be disbursed at the time of approval.
3. Loan terms will average 7 years with a 2 year grace period. Interest will be payable quarterly at the rate of 4 percent per annum during the grace period and 6 percent thereafter.
4. No loss reserves will be set aside at least until after the initial 2 year grace period has passed. If, based on repayment experience after that date, it is considered prudent or necessary to establish such a reserve, monies will be set aside prior to disbursements in the final period of the AID grant to cover such a contingency.
5. Loan repayments will be paid quarterly in equal installments following expiration of the 2 year grace period so that 20 percent of the principal is repaid in each of the subsequent 5 years of the loan.
6. Interest income from the principal of the Local Development Fund (LDF) can be earned at rates of 5,5½ and 6 percent depending on length of time deposits. Such interest can be used to pay for administrative expenses of the Fund and monies over and above this amount may be subsequently made available for loans.
7. Initial capitalization of the Fund in October 1979 was \$1,750,000 (LE 1,225,000). Additional capitalization to the Fund will be made each time the available loan balance approaches LE 400,000 (\$570,000). This will occur every 7 months following the initial approval of loans in December 1979. (June 1980, January 1981, August 1981, etc.) The additional capitalization each 7 months will be \$1,000,000 (LE 700,000) until all authorized AID funds have been capitalized. Interest income on the principal of the LDF has been computed on this basis.

8. Of interest received from loan repayments, monies equal to a 1 percent rate shall be made available to cover administrative expenses of the Fund. All other interest from loan repayments shall be made available for additional loans.

9. LDF's administrative expenses (exclusive of rent) are estimated at \$42,300 per year (LE 29,600).

Revised Budget - Estimated Sub-Obligations by Fiscal Year

	FY 78 ^{1/}	FY 79 ^{1/}	FY 80	FY 81	FY 82	TOTAL
Technicians	\$ 336,000	18,000	550,000	450,000	232,000	1,586,000
USLE	-----	101,000	-----	-----	-----	101,000
Training	\$ -----	157,000	525,000	525,000	460,000	1,667,000
+ Training	\$ to LE ---		100,000	100,000	55,000	255,000
Equipment	USLE -----	19,200	4,800	-----	-----	24,000
Commodities	\$ 219,200	69,100	11,700	10,000	-----	310,000
\$ to LE ---	---	-----	25,000	25,000	-----	50,000
Research	\$ -----	66,700	20,000	20,000	18,300	125,000
& Eval.	\$ to LE ---	-----	50,000	100,000	50,000	200,000
Contingency & Inflation	-----	-----	300,000	290,000	217,000	807,000
Total Independent of LDF	\$ 555,200	310,800	1,581,700	1,520,000	1,032,300	5,000,000
Capitalization	USLE ---	120,200	4,800	-----	-----	125,000
LDF Capitalization	\$ to LE ---	1,750,000	1,500,000	1,500,000	1,450,000	6,200,000
TOTAL	\$ 555,200	2,060,800	3,081,700	3,020,000	2,482,300	11,200,000
USLE	-----	120,200	4,800	-----	-----	125,000

1/ Actual Sub-obligations

2/ Remainder of total USLE 125,000 obligated in PROAG is sub-obligated in FY80.

REVISED BUDGET SCHEDULE: Obligations by Fiscal Year

		<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>TOTAL</u>
Technicians	\$	367,000	399,000	820,000	1,586,000
	USLE	75,000	-----	-----	75,000
Training and Training Equipment	\$	270,000	382,000	1,015,000	1,667,000
	\$to LE	55,000	55,000	145,000	255,000
	USLE	39,000	-----	-----	39,000
Commodities	\$	70,000	240,000		310,000
	\$to LE	---	-----	50,000	50,000
Research/Evaluation	\$	10,000	10,000	105,000	125,000
	\$to LE	15,000	20,000	165,000	200,000
Contingency and Inflation	\$	113,000	144,000	550,000	807,000
	USLE	11,000	----	-----	11,000
Total Independent of LDF Capitalization	\$	900,000	1,250,000	2,850,000	5,000,000
	USLE	125,000	-----	-----	125,000
LDF Capitalization	\$to LE	500,000	1,250,000	4,450,000	6,200,000
TOTAL	\$	1,400,000	2,500,000	7,300,000	11,200,000
	USLE	125,000	-----	-----	125,000

\$ = U.S. Dollars

\$ to LE = U.S. Dollars converted to Egyptian Pounds expressed in dollars

USLE = U.S. Owned Egyptian Pounds expressed in Pounds

REVISED TECHNICIAN BUDGET: Obligations by Fiscal Year

		FY78	FY79	FY80	TOTAL
Technical Project Manager	\$	50	106	318	\$ 474
	USLE	11	----	--	LE 11
	PMF	(6)	(12)	(1)	
<hr/>					
Local Government Management/Financial Specialist	\$	142	106	106	\$ 354
	USLE	29	---	---	LE 29
	PMF	(18)	(12)	(6)	
<hr/>					
Small Industry Specialist	\$	142	106	106	\$ 354
	USLE	29	---	---	LE 29
	PMF	(18)	(12)	(6)	
<hr/>					
Short Term Consultants (about 3 for 3-4 months per year)	\$	33	81	290	\$ 404
	USLE	6	---	----	LE 6
	PMF	(@5)	(@10)	(@15)	
<hr/>					
Technician Total	\$	367	399	820	\$1,586
	USLE	75	---	----	LE 75

PMF= Person Months Funded

REVISED TRAINING BUDGET : Obligations by Fiscal Year

		<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>TOTAL</u>
ORDEV 1 US Academic year - 4 per year	\$ 86 US-LE 4	92 --	276 ---	\$ 454 LE 4	
ORDEV Village Council short-term US Training- 5 for @ 6M per year	\$ 54 US-LE 5	117 ---	223 ---	\$ 394 LE 5	
ORDEV Village Council Third Country Observation tours 30 for 1 month per year	\$ 75 US-LE 30	118 ---	381 ---	\$ 574 LE 30	
Training equipment and in-country training funds	\$ 55 \$ to LE55	55 55	135 145	\$ 245 LE 255	
TOTAL	\$ 270 \$ to LE 55 \$(total) 325 US-LE 39	382 55 437 ----	1,015 145 1,160 ----	\$1,667 LE 255 \$1,922 LE 39	

REVISED COMMODITY BUDGET: Obligations by Fiscal Year

Office Equipment	\$	FY 78 21	FY 79 9	FY 80 ----	TOTAL \$ 30
Vehicles	\$	24	231	-----	\$255
Other-general support	\$ \$ to LE	25 --	--- ---	----- 50	\$ 25 50
TOTAL	\$ \$ to LE	70 ---	240 -----	----- 50	\$310 50
Research Evaluation Budget					
Research Evaluation	\$ \$-LE	10 15	10 20	105 165	\$125 \$200
TOTAL	\$ \$-LE	10 15	10 20	105 165	\$125 \$200

RevisedA.R.E. Contribution:

Technical Assistance: LE 180,042

Egyptian Pound expenditures by the A.R.E. in support of special operational costs and training expenses associated with foreign advisory technical assistance.

Training: 136,881

Egyptian Pound expenditures by the A.R.E. to cover costs of ORDEV training staff, special in-the-field kinds of training programs, development of case study materials, etc.

Construction - ORDEV Training Academy: 1,344,810

Egyptian Pound expenditures by the A.R.E. on physical construction of the Academy building

Operational Costs of Field ORDEV staff: 288,700

Egyptian Pound annual expenditures of \$82,000 for 5 years of Egyptian Pounds 2,887 per Governorate per year covering costs of ORDEV staff associated with LDF-related operations.

A.R.E. Contribution:

Grand Total LE 1,950,433

PP Amendment #2

DEVELOPMENT DECENTRALIZATION

I. Summary and Recommendation

A. This amendment proposes additional funding for the project to cover (1) local currency costs previously considered appropriate for excess currency funding (2) added contribution to an already established village level project development fund and (3) increased dollar costs for technical assistance, training equipment and contingencies. Dollar funds are now required for local support costs since U.S.-owned local currencies are no longer available.

The project's direction remains as described in the FY 1978 Project Paper. The discussion in Part II provides an update on progress to date and justification for change on Life of Project funding.

B. Recommendation

The approved Project Proposal dated 1/23/78 provided for AID dollar contribution of \$9,160,000 and LE 542,000 (U.S. owned excess currencies).

Based on a new assessment of needs, it is now recommended that life of project grant financing be increased by \$2,040,000 for a new total dollar grant contribution of \$11,200,000.*

* Annex A provides detailed project financial plan.

The added funds will be allocated to:

- Local Development Loan Fund**	\$1,200,000
- Technical Assistance	345,000
- Participant Training	355,000
- Equipment and Supplies	8,000
- Contingencies	132,000
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	\$2,040,000

The Project Committee is as follows:

1. Ann Fitzcharles
2. E. Petersen, EHS/H
3. G. Laudato, PRG
4. M. Hager, LEG
5. R. DeBruce, CON
6. J. Kovach, TRG

** Annex B provides F.A.A. Section 612 (b) recommendation to convert dollar funds to Egyptian Pounds to fulfill the purposes of the project.

II. Brief Description - Progress to Date

A. Project Purpose

No change

B. Background - Progress to Date

1. Development Problem:

No change

2. Local Development/Decentralization Strategies:

No change

3. Priorities and action taken by GOE and USAID:

The following addendum to Part I C of the Project Paper outlines Project Progress to Date:

"The project has capitalized a Local Development Fund (LDF) to provide loans to village councils for income producing projects and is providing technical assistance and training to strengthen ORDEV's capacity to assist village councils. ORDEV has conducted a series of seminars to orient governorate, district and village council officials on the program and council responsibilities for management, reporting and evaluation. Officials from three levels of Government are being trained and others are being selected for training in the U.S. and third countries. Construction of the ORDEV Academy is underway, and it should open in 1980.

Based on the initial number, nature and size (LEs) of loan applications received it is evident that during the first year loans will exceed the number originally estimated and that the average LE amount loaned will be greater than envisaged. In this regard, it is also considered that in view of inflation and rising costs, the maximum loan amount, presently LE 15,000, will need to be revised upward.

II.

C. Project Elements (inputs)

1. Technical Assistance

Para 1 on p.8 of PP should be revised to read as follows:
 "Long term technical assistance will be provided by a Technical Project Manager who should be a senior development economist and by two technicians, one of whom will be experienced in local government management and finance and one of whom should be experienced in small-scale production and marketing in developing countries. The Technical Project Manager will serve for four years and the two technicians for three years each. In addition, short-term consultants will be provided as necessary."

2. Development Loan Fund

No change

3. Project Commodities - Equipment

No change

4. Training

No change

D. Project Outputs (revised)

1. No change

2. No change

3. Number of village councils benefitting should be revised to 400 on p.10 para 4.

4. No change

III. Project Analysis-

A. Relationship to C.D.S.S./Linkages to other AID Programs

The CDSS proposes an employment-oriented growth strategy with emphasis on economic stabilization, productive output and development of human resources. As a component of the latter, decentralization figures prominently. AID desires to support the GOE initiative by helping to strengthen the management and planning capabilities of villages and increase

their autonomous revenues so that they will have more resources with which to carry out activities in key areas such as productive enterprises, local infrastructure, family planning and agriculture.

This project directly addresses the goal of strengthening decentralization by seeking to increase the development capability and financial viability of local governments through the establishment of a loan fund to help village councils undertake income producing projects. The project will be complemented by two projects planned for FY 1980 and FY 1981, one directed at basic village services (rural infrastructure) and one aimed at generating rural off-farm employment.

B. Beneficiaries

No change in text of PP. Number of villages expected to benefit is increased as a result of the input of additional money to the LDF. Directly benefitting will be an estimated 400 village council areas, each of which will receive loans; indirectly, all 780 authorized village councils will benefit from training and technical assistance, particularly during the last three years of the project after several ORDEV and governorate officials will have been trained in the U.S. and third countries and will in turn be effectively training increasing numbers of village officials both as the ORDEV Academy and at other local training centers.

C. Amendment Financial Plan - See Annex A for detailed Plan

1. Loan Capitalization - Project Paper Section III B, pp.81-83
See Annex A pp.1-3 for revised schedule

2. Local Cost Project Support -

All local cost support will be provided from dollars converted to LE beginning in FY 1980 due to non-availability of U.S. owned Egyptian Pounds for continued local cost project support.

Dollar amounts are: Technical Assistance (\$290,000)
Training (\$300,000) and Contingency/Inflation (\$103,000).

3. Technical Assistance. To provide for increased dollar costs for project management, research and evaluation (\$55,000).
4. Training and Training Equipment. To provide for increased dollar costs for training and training equipment (\$55,000)

5. **Commodities + equipment.** \$8,000 added to provide for increased costs. No additional procurement contemplated over that planned in PP.
6. **Contingency and Inflation.** To bring into conformity with added costs added to above categories (\$132,000).

IV- REVISED
IMPLEMENTATION SCHEDULE

7

1979

JUNE Contract Chief of Party and Local Government/
Finance Technician arrive.

JULY Briefings of Governorate and ORDEV field staff
and Village Councils.

AUGUST Office space obtained and partial delivery of
commodities.

SEPTEMBER LDF Procedures approved by Contractor and ORDEV.
Vehicle support for LDF arrives.
Production/Marketing Analyst arrives.

OCTOBER ORDEV Professional and Non-Professional staff
assigned to the LDF.
LDF capitalized and bank account opened.
Second group of "Blue Grass Candidates" tested
and those eligible begin English language training.

NOVEMBER Development/Training Specialist arrives.
Determination of skills of short-term consultants
needed for Year One of Project.

DECEMBER Criteria adopted for first group of U.S. and
Third Country Visitation candidates.
Board of Directors meets and appoints Loan
Committee.
First set of loans authorized.

1980

JANUARY Second group of "Blue Grass Candidates" leave
for U.S. (10-12 participants)
Loan follow-up and publicity on procedures
and forms begin.
Second set of loans authorized.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523



THE ADMINISTRATOR

THIRD AMENDMENT
TO
GRANT AUTHORIZATION

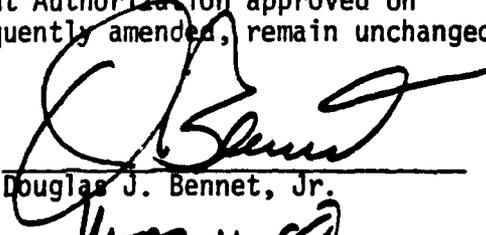
Name of Country: Arab Republic of Egypt Name of Project: Development Decentralization I

1. Pursuant to Section 532 of the Foreign Assistance Act of 1961, as amended, the Development Decentralization I Project for the Arab Republic of Egypt was authorized on February 16, 1978. That authorization, as amended on March 1, 1978 and March 19, 1979 is hereby further amended as follows:

The third paragraph of the Authorization is revised to read:

"I hereby authorize planned obligations for this project of not to exceed Eleven Million Two Hundred Thousand United States dollars (\$11,200,000) and One Hundred and Twenty-Five Thousand Egyptian Pounds (LE 125,000) in grant funds over the period FY 78 through FY 82, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process."

2. All other provisions of the Grant Authorization approved on February 16, 1978, and as subsequently amended, remain unchanged.



Douglas J. Bennet, Jr.

Mar 11, 80

Date