PD-AAH-619-A1 2630153

*2630153 EGYPT ① *
* NEIGHBORHOOD URBAN SERVICES *
* FY81 TO FY85 *

PROJECT SUMMARY DESCRIPTION

Grant is provided to the Government of Egypt (GOE) to upgrade the institutional capabilities of local governments in Greater Cairo and Alexandria to respond to the public service and infrastructure needs of the urban poor. The project will be implemented by the Governorates of Cairo, Alexandria, Giza, and Qalubiya with USAID funded technical and budgetary assistance.

A cadre of trained and qualified personnel will be established within the four Governorates, their 15 districts, and 300 participating private voluntary organizations (PVO). Up to 400 individuals will receive formal training in public administration and/or management operations. Specific courses will cover program guidelines and procedures, record keeping and reporting, financial procedures, planning and capital budgeting, program management and coordination, and identification of projects. Following formal lectures, trainees will prepare evaluations of all proposed project activities. In addition, up to 1,000 individuals will undergo on-the-job training. Short-term training will be provided for several hundred PVO members in areas of management, marketing, community development, training program curriculum development, and various technical fields.

The project will develop or maintain 900 public services or infrastructure facilities in participating localities. These activities will be supplemented by services provided by over 2,500 separate PVO activities.

The project is expected to advance the GOE's decentralization policy and to increase the urban population's recognition of the GOE's concern for their welfare.

Subprojects will include the construction of water and sewer systems, side street lighting, street resurfacing, outpatient clinic additions, park and playground development, and the upgrading of nurseries and units for the elderly.

DESCRIPTORS

INSTIT BUILDING	INDIGENOUS TRNG	WATER SUPPLY	SEWERAGE
ROAD MAINT	HOME NURSERY	URBAN DEVEL	URBAN POVERTY
PROF PERSONNEL	COMMUNITY DEVEL	CURRIC DEV TRNG	ON JOB TRNG
PUB ADMIN	MGMT TRAINING	PRIV VOL ORGS	PUBLIC SERVICES
URBAN DEVEL DEC	INTEG URB DEVEL		

SUB-PROJECT NUMBER: 00 BATCH NUMBER: 52

PD-AAH-619-B1

263-0153 00420 1

263015300420 1

(2)

PROJECT PAPER

NEIGHBORHOOD URBAN SERVICES

263-0153

USAID/CAIRO

GOVERNMENT OF EGYPT

Approved for Project Authorization
August 18, 1981

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: ____

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: EGYPT

3. PROJECT NUMBER: 263-0153

4. BUREAU/OFFICE: NEAR EAST/TECH — NE 03

5. PROJECT TITLE (maximum 40 characters): NEIGHBORHOOD URBAN SERVICES

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 86

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 81 B. Quarter 4 C. Final FY 86

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 81 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	5,600	14,400	20,000	5,600	83,400	89,000
(Grant)	(5,600)	(14,400)	(20,000)	(5,600)	(83,400)	(89,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country		1,500	1,500		13,900	13,900
Other Donor(s)						
TOTALS	5,600	15,900	21,500	5,600	97,300	102,900

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ESF	720	890				77,600		77,600	
(2) ESF	760	920				11,400		11,400	
(3)									
(4)									
TOTALS						89,000		89,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 790 720

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

STRENGTHEN AND EXPAND INSTITUTIONAL CAPABILITIES IN THE URBAN AREAS OF GREATER CAIRO AND ALEXANDRIA TO RESPOND TO FELT, UNMET NEEDS WITH IMPLEMENTATION CARRIED OUT AT THE LOWEST RESPONSIBLE LEVEL.

14. SCHEDULED EVALUATIONS
ANNUAL — Interim MM 11 YY 82; MM 11 YY 83; Final MM 09 YY 86

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [X] 941 [X] Local [ ] Other (Specify) ____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY
Signature: [signature]
Title: Director
Date Signed: MM 07 DD 19 YY 81

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

AUG 11 1981

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: ES

THRU: A-AA/PPC, Mr. Larry Smucker

FROM: AA/NE, W. Antoinette Ford

Problem: Your approval is required to authorize a grant for $89,000,000 in life of project costs to the Government of Egypt for the Neighborhood Urban Services Project (263-0153). The Project expands and strengthens local governmental and private voluntary organizations' capabilities in greater Cairo and Alexandria to improve public services and to respond to unmet needs of residents in lower-income neighborhoods.

Discussion: The project supports the Government of Egypt's continuing efforts to address the needs of low-income urban neighborhoods in a manner supportive of the delegation of more responsibility to governorates and districts. Because districts have not had many resources that would allow them to demonstrate their competence, and because their staffs have not been able to exercise their development and management skills, local governments have had difficulty justifying the expanded roles they are to play under Egypt's evolving decentralization.

The project will provide $63,000,000 to fund approximately 900 modest-size subprojects identified, developed, and executed by elected and appointed officials of the 15 urban districts in the four provinces that comprise the two large metropolitan areas. Technical assistance and training will be provided districts to increase their management capacity. Up to 1,400 government employees will receive either on-the-job or formal classroom training. Private voluntary agency management capacities will also be strengthened and self-help efforts in informal housing areas will be encouraged by means of technical assistance, training, and a PVO grant program of $11,400,000 that is under the control of district level officials and PVOs. The local government and PVO activities will benefit hundreds of thousands of residents in low-income neighborhoods.

The project paper for this $89,000,000 grant was reviewed and approved by the Near East Advisory Committee on July 31, 1981. The appropriate Congressional Committees were notified of A.I.D.'s intention to make this grant to the Government of Egypt and no objections were received during the waiting period that ended August 12, 1981. There are no human rights issues under Section 502 B of the Foreign Assistance Act which would preclude provision of this assistance.

The project paper is attached for your information.

Recommendation: That you approve the $89,000,000 grant by signing the attached project authorization.

Attachment: a/s

Clearances:

NE/TECH/SARD:P.Benedict _____ Date 8/6/81
NE/EI:G.Kamens _____ Date 8/6/81
NE/TECH:A.Y.Wilburn _____ Date 8/6/81
GC:J.R.Bolton _____ Date 8/7/81
GC/NE:J.Kessler _____ Date 8/7/81
NE/DP:B.Langmaid _____ Date 8/7/81
DAA/NE:A.D.White _____ Date 8/14/81
AAA/PPC/PDPR:JEriksson _____ Date 8-12-81
NE/TECH/SARD:R.Mitchell:28516:amr:08/05/81

NEIGHBORHOOD URBAN SERVICES

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NEIGHBORHOOD URBAN SERVICES

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LIST OF ABBREVIATIONS

BVS	BASIC VILLAGE SERVICES
CB/CBE	CENTRAL BANK (OF EGYPT)
DSF	DECENTRALIZATION SUPPORT FUND
IAC	INTERAGENCY ADVISORY COMMITTEE (an INTERMINISTERIAL STEERING COMMITTEE)
GOE	GOVERNMENT OF EGYPT
KISM	NEIGHBORHOOD
LSDF	LOCAL SERVICES DEVELOPMENT FUND
MARKAZ	DISTRICT
MSA	MINISTRY OF SOCIAL AFFAIRS
NUS	NEIGHBORHOOD URBAN SERVICES
PVO	VOLUNTARY ORGANIZATION ORGANIZED UNDER EGYPTIAN LAW
TA	TECHNICAL ASSISTANCE

1. Summary and Recommendations

A. Project Title:	Neighborhood Urban Services
B. Project Number:	263-0153
C. Grantee:	The Government of Egypt
D. Coordinating Agency:	Interagency Advisory Committee (IAC) representing the Ministries of Finance, Economy, Planning, and Social Affairs with the Secretariat of Local Government serving as Secretariat to the Committee.
E. Implementing Agencies:	Governorates of Cairo, Alexandria, Giza and Qualubiya; 15 districts and selected Local PVO associations.
F. Amount:	$102.9 million.
G. Terms:	Grant. $20.0 million of the AID authorization to be obligated in FY 1981.
H. Life of Project:	5 years.
I. Total Project Cost:	$102.9 million composed of (a) $89.0 million AID funds, (b) $9.5 million equivalent GOE funds, (c) $4.4 million equivalent in-kind from GOE.
J. Goal:	Contribute to improved quality of life for the urban poor of Greater Cairo and Alexandria in a way that advances governmental decentralization.
K. Purpose:	Expand and strengthen institutional capability in Greater Cairo and Alexandria to express and respond to felt, unmet needs at the lowest responsible level.
L. Strategy:	Provision of AID resources combined with technical assistance and training to lowest level of city units responsible for essential service provision. The process of converting project resources into viable public and neighborhood services will be used as a training

module. Outputs will improve local skills and procedures which will assist units to be more effective. Ultimate success would be efficient institutions with higher productivity no matter what resource levels are available, although local budgetary resources should increase (a) with capacity and (b) because of local popular demand. Skill upgrading and transfer will result from formal and on-the-job training. Annual evaluations on performance and weakness will be used to direct future project activity. Local PVO associations will be brought into project to increase skills and activities benefitting neighborhoods in areas beyond range of governmental services.

M. GOE Institutions: Project will be coordinated in Cairo by Interagency Advisory Committee chaired by Secretariat of Local Government. This Secretariat will serve as Secretariat for the IAC and as coordinating link between the project, the four governorates, their 15 urban districts, relevent central ministries and special authorities. District and governorate personnel will work with TA contractor personnel in structured and unstructured situations for physical implementation efforts and skill growth. District elected council representation, district social welfare representation and PVO elected representatives will locally determine project resource targets.

N. Project Outputs: The project will produce nearly 900 separate district activities and 2500 PVO activities on a sustained basis. These will demonstrate a local capacity to act independently. Building this capacity will result in a strengthened cadre of trained personnel of which 350-400 will have formal training in public administration and fiscal and/or management operations. As many as 800-1000 individuals will have some

degree of skill enhancement. Other outputs are (a) discernable advancement toward GOE's policy objective of governmental decentralization and (b) widespread recognition by the urban population of government's concern for their health, safety, and quality of life.

O. USAID Project Inputs:

(1) Grant funds for subproject activities	$63.0 Mil.
(2) PVO Assistance Funds	11.4 Mil.
(3) Contracts: Technical Assistance	7.3 Mil
Evaluation	0.7 Mil.
(4) Training	0.8 Mil.
(5) Inflation,	1.3 Mil.
Contingency	4.5 Mil.
Total	$89.0 Mil.

The grant funds represent an initial obligation of $20.0 Million. The remaining funds are to be disbursed based upon capacity building efforts and experience gained during the project's first years.

P. GOE Inputs:

(1) Maintenance Fund	$ 6.3 Mil.
(2) Staff Support	4.2 Mil.
(3) Indirect project costs, land, design, administration.	3.1 Mil.
(4) Training Support	0.3 Mil.
Total	$13.9 Mil.

Q. Recommendation:

A grant of $89.0 million be authorized for the Neighborhood Urban Services Project with an initial $20.0 million obligated in FY 1981. Based on Mission requests, it is recommended that (a) U.S. dollars be used to purchase local currency for project support; (b) a waiver of local cost financing limitations to permit procurement of commodities be authorized for local units to carry out individual subprojects; and (c) a direct mode of contracting be utilized for Project Assistance.

II. DESCRIPTION OF THE PROJECT

A. Setting and Background

The Neighborhood Urban Services Project (NUS) focusses on USAID's concern with the urban poor and with assisting the GOE in its continuing efforts to address the needs of low-income neighborhoods. One part of the GOE's response to meeting local needs is the adoption of a policy of governmental decentralization. This policy is intended to foster local initiative to meet locally-defined priority needs.

USAID has been supportive of decentralization and local initiative, but it recognizes that technical and administrative capabilities of local governments and institutions must be further developed to assure continued movement in this new direction. The proposed NUS project complements GOE and USAID efforts to address the needs of the urban poor and their neighborhoods, to strengthen local urban government, to encourage local initiative, and to promote governmental decentralization.

The Office of the Deputy Prime Minister for Economy, Finance and Economic Cooperation encouraged the Mission to proceed rapidly with this project concept, as did the Governors of Cairo and Alexandria. To this end, in September, 1980, USAID began a series of meetings and activities with the governors and districts of Cairo and Alexandria to explore what might be done to help improve their capacities to identify, develop and manage projects that were responsive to the felt needs of neighborhoods. Discussions continued through June, 1981.

Six series of studies and development projects were initiated. First, demonstration projects involving two districts in Cairo and one in Alexandria were jointly developed by the governors, district officials, and USAID to help test the project concept.* Second, all the districts in both Governates submitted to USAID illustrative program proposals consisting of sub-project activities. These submissions were to demonstrate cooperation between elected and appointed officials in the identification and costing of technically, administratively, and economically feasible sub-projects that respond to beneficiary needs. Third, to help the governorates and districts better understand local-level options involved in project identification and implementation strategy, Robert Embry, a leading American community development expert, spent ten days in discussions with appointed and elected officials of both Alexandria and Cairo. Fourth, USAID contracted for three special studies. An Egyptian management consultant, Dr. Ahmed Foda,

examined the budgeting, administrative procedures, and capacities of districts in Cairo and Alexandria. An Egyptian social planning consultant, Dr. Sarah Loza, analyzed the role of District Local Peoples' Councils in the project development cycle. She also analyzed a sample of modest-size projects in both governorates with regard to their initiation, beneficiaries, and operation and maintenance. The Egyptian consulting firm Delta Business Services International examined the performance and capacity of existing voluntary associations in Cairo and Alexandria. Fifth, an American PVO expert worked with local voluntary associations, the Ministry of Social Affairs, and executive and elected members of district governments to evolve a USAID-funded PVO program acceptable to all parties. Finally, under the direction and assistance of the GOE Secretariat for Local Government, discussions and initial meetings for the formulation of project policies through an Inter-Agency Advisory Committee (IAC) were begun.

*Note: Demonstration projects chosen by the districts were (a) Helwan-renovation/repair of a primary school closed for five years in order to provide its neighborhood with an adequate educational facility, (b) South Cairo - fabrication of a pedestrian highway overpass to reunite two sections of an informal neighborhood, plus street preparation for another informal area, and (c) West Alexandria - the establishment of a social/training/day care center in a poor neighborhood. The Helwan project was 80% complete in June, 1981; the South Cairo projects were approximately 40% complete; and the West Alexandria district reported that its center would be operational in August, 1981. Each district was allocated LE 105.000 for its project(s).

The Mission utilized the demonstration projects as a vehicle to ascertain capabilities in the districts. Results, such as the need for common reporting mechanisms, are represented in the NUS design. The Mission intends to monitor the finished projects as to beneficiary usage and maintenance efforts.

B. Problem Addressed

Greater Cairo and Alexandria have been unprepared for their rapid population growth. Essential services and basic infrastructure were never adequately provided to keep pace with this growth; Egypt's poverty left little resources to upgrade and expand these services and infrastructure; and local government did not develop the capacity or resources to efficiently and effectively address the peculiar needs of urban citizens, especially the urban poor. As a result, service gaps and unmet needs are highly visible and growing in each metropolitan area. Despite the current economic successes

of the GOE, parts of Cairo and Alexandria are deteriorating into unhealthy and potentially explosive environments that seem beyond the present administrative capability of responsible local government to address. Local government is part of the problem and, therefore, it must become part of the solution.

Population estimates provide only general orders of magnitude for these two urbanized areas. Greater Cairo (the Cairo Governorate and the urbanized areas of Giza and Qaliubia) had between 6.8 and 8 million people in 1976; Alexandria had around 2.3 million. A World Bank consultant estimates that Greater Cairo will have an average per annum rate of growth through the year 2000 of between 2.68 and 3.93 percent yielding a population of up to 20.5 million. Alexandria could have up to 5.9 million by the year 2000. The rate of growth serves to exacerbate the problems of already extremely large unmet needs.

Although Egypt's economy has shown impressive gains in recent years, neither the resources of the nation nor of literally millions of individual urban families allow them to provide or pay for the costs of essential urban services. More than two-million Cairenes live in informal unzoned areas where housing is built without permit or land rights. Residents are without sewerage, potable water, and many social services (health care, education, transportation and, even, police) that are minimally provided to residents in formal housing areas. The service gap continues to grow.

The GOE has addressed the basic human needs of the urban poor more through direct and indirect subsidies of food and consumer goods than through measures to improve the living environments of low-income neighborhoods. A balanced approach is needed, for the health and well-being of people are significantly influenced by their residential environments and their ability to gain access to essential often subsidized services. Addressing these collective needs represents social overhead investments that must be made before the other human and economic development investments can realize their full potential.

Until recently, urban functions have been the primary responsibility of central GOE ministries and special authorities (e.g., sewerage and sanitary drainage, water, public transport). Laws 124/1960, 57/1971, and 43/1979 indicate a clear trend toward delegating these functions to governorates and districts within them. The GOE has sanctioned local government as having the key role in meeting social, environmental, and essential services needs.

Responsibility has been shifted without a concomitant transfer of resources to meet these needs. Various studies, however, indicate that a simple transfer of resources to local governments will not adequately equip them to utilize these resources expeditiously, efficiently and equitably to meet the needs of urban residents.Local government has had relatively little experience in identifying needs, evaluating alternative solutions, or designing, implementing, managing, and maintaining projects.

The development of neighborhood-based, community-oriented organizations seems to be muted by Government's own lack of success. A demonstration of Government's good intentions, therefore, would not only help elicit faith in present policies and objectives; it would also have a multiplier effect in helping to create popular organizations that, along with Government, would help mobilize and channel the energies of the millions of urban residents of Greater Cairo and Alexandria.

C. Detailed Description of Project

1. Project Goal

The Neighborhood Urban Services Project has the general goal of contributing to an improved quality of life for the population of Greater Cairo and Alexandria through the provision of needed basic services and infrastructure using procedures that promote the GOE's decentralization policy.

2. Project Purpose

The specific purpose of the Project is to expand and strengthen institutional capabilities in Greater Cairo and Alexandria to undertake efficiently all of the actions needed to put public services and infrastructure in place and make them operational. By focusing on improving these capabilities at the Governorate and particularly at the district level, subproject activities will respond more specifically to community or neighborhood needs in areas that now suffer from inadequate services and infrastructure. Additionally, by making neighborhood associations or cooperative societies (PVOs)* eligible for consideration in the capacity building endeavors, some needs not ordinarily within the purview of municipal government could be successfully met.

*NOTE: "PVO" is used throughout this document to refer without distinction to private and voluntary organizations organized under Egyptian Law and recognized by the Ministry of Social Affairs, or to informal neighborhood associations and cooperatives, concerned with neighborhood problems.

3. Project Strategy

The strategy to achieve the above goal and purpose centers on the use of an inter-agency coordinating committee, with representation by the involved GOE ministries and implementing agencies, to coordinate policy development and to channel sub-grants to districts to fund annual sub-project programs. Eligible annual programs must be supported by a 10% maintenance fund supplied from GOE resources. Technical assistance and training will be provided to participating agencies to strengthen their capacity at every stage of NUS project execution.

The grant program for PVOs centers on the use of a district-level grants committee, following current Ministry of Social Affairs funding criteria, acting on proposals submitted to the committee by PVOs with the assistance of neighborhood-level technicians provided by an American PVO contractor who will also administer the grant dollar funding provided by AID specifically for PVO activities.

The above strategy is based on seven demand and supply-side premises:

-- Project objectives will be realized by the process of converting project resources into viable public and neighborhood services and infrastructure on a cyclical basis as a laboratory and training module. The outputs of that process will gradually improve Egyptian skills and procedures involved in the process and turn the involved entities into more effective, responsive organizations.

-- Technical assistance and closely related training are central to the process of building institutional capacity.

-- Local district governments are best able to recognize the needs of their residents and are able to respond more effectively and rapidly than central government to these needs when resources are available to them.

-- Elected local officials desire and are able to play a constructive role in the project development cycle.

-- Annual district program submissions consisting of sub-projects selected according to beneficiary and feasibility criteria are the most effective and workable way of developing the identification, planning, financing, prioritizing, implementation, and oversight functions of general purpose governments. Program funding also helps assure the spread and continuity of new public administration procedures developed by this process.

-- PVO development will be accomplished more effectively and quickly by responding to funding requests in a manner independent of many formal governmental procedures but in a way assuring coordination with relevant governmental agencies and other component units of the NUS.

-- The sustainability of the process that is strengthened by this project depends on the assessment of how well local units are able to spend the funds provided them, the demand that elected councils, PVOs and beneficiaries place on government to continue the flow of budgetary funds through local implementing units, and the extent to which sub-projects have a visible and continuing impact on neighborhoods and beneficiaries.

4. Project Outputs

The project will, over the five-year life of project, involve four governorates, their 15 urban districts, and selected local voluntary associations serving the urban poor. When completed, the project is expected to have achieved five sets of results.

-- Sub-project activities meeting the felt unmet needs of the urban poor: A minimum of nearly 900 separate service activities or public infrastructural facilities will be established, operated and maintained on a sustained basis within the boundaries of the participating governmental units. These activities will be supplemented by services provided by over 2500 separate PVO sub-project and program activities.

-- Strengthened institutional capacity of organizations serving the urban poor: The four governorates, their 15 districts, and the participating PVOs will be applying new and more effective public administration mechanisms and systems. These organizations will have acquired an enhanced capability to plan, analyze, implement, and manage project activities to obtain, provide, and sustain public services and infrastructure.

-- A strengthened cadre of trained personnel within the organizations noted above. This will include approximately 350 to 400 individuals who will have formal training in public administration and/or management operations related to public services and infrastructure. Also, up to 1000 individuals will have gained some degree of skill or knowledge enhancement through on-the-job training. Several

hundred members of participating PVOs will also receive short-term training. These personnel will be involved in the development and implementation of the various components of this project.

-- Widespread citizen awareness: A large proportion of the urban populations of Greater Cairo and Alexandria will recognize that district, governorate, and central government agencies are concerned with their health, safety, and quality of life.

-- Decentralization: The processes adopted for this project will result in discernible advancement toward the GOE's policy objective of governmental decentralization.

5. Inputs

a. Program funding of sub-projects: AID will provide program funding for locallly determined small-scale high priority and high impact sub-projects. Sub-projects will meet selection criteria such as need assessment, beneficiary participation, and cost, management and technical feasibility. Annex 13 provides a more detailed proposed list of sub-project selection criteria, and Annex 4, Table 2, provides examples of sub-projects included in the sample programs submitted by 11 districts.

Sub-project selection criteria used by the Ministry of Social Affairs for PVO proposals are consistent with those listed above, although sub-project activities are smaller in scale, different in nature, and are to be implemented by volunteers who are often untrained. These criteria will be refined during the early phases of the project.

USAID will grant $66.4 million for the program funding of sub-project activities over the life of the project. Table F-II summarizes the composition of the inputs. USAID's direct grant contribution for PVOs will be $12.0 million.

The GOE will provide $ 13.7 million equivalent for a maintenance fund for NUS activities (equal to 10% of each year's sub-project costs), counterpart personnel, indirect sub-project costs (design, payments for costs exceeding those estimated, etc), and any extraordinary incentive payments for government employees.

b. Technical Assistance: AID will enter into a direct contract for technical assistance, amounting to $8.9 million, to provide advisory, training, equipment management, special problem-solving, and continuous monitoring assistance. The assistance will be available at all levels, from individual activity levels in neighborhoods to policy-level equivalent.

The contractor will have its principal advisory counterpart an Inter-Agency Advisory Committee (IAC), but its major operational and functional counterparts will be the districts, governorates, and PVOs. Annex 8 is the Request for Proposal for the technical assistance consultant/contractor.

c. Training: The TA contractor will be responsible for the development and execution of a training program. In addition to $448,000 for training advisors, curriculum development, and related work included in the TA contract discussed above, AID will provide $1,000,000 for training personnel in the U.S. and for in-country training available to government and PVO personnel with the GOE providing an equivalent $0.3 million in-kind. Annex 7 includes proposed training schedules, curriculum topics, durations for particular training sessions, and the number of trainees.

d. Evaluation: Institution-building is the major purpose of NUS. Because there are four Governorates, 15 districts, and numerous PVOs, the project provides a natural laboratory for diverse experiments. AID considers evaluation central to the learning process and to an annual re-assessment of successful and unsuccessful strategies, resource allocations to different districts and governorates, and the focus of TA and training. An assessment of the impact of capacity-building and sub-project activities on beneficiaries also is necessary. The ultimate sucess in achieving the objectives of this project, therefore, will very much depend on the accuracy, credibility, and acceptance of continual evaluations applied to various components of the project.

AID will enter into a contract separate and independent of the TA contract and contractor for $0.7 million to design and perform annual evaluations of the NUS.

D. NUS Relationship to Program Objectives

1. Relationship to GOE Objectives

The GOE has committed itself to meeting the basic needs of its citizens, both urban and rural. Particularly high priority has been placed on meeting shelter needs, including essential services and healthy neighborhood environments. The GOE's objective of building the capacity of local governments is reflected in the explanatory memorandum that preceded issuance of the 1979 Local Government laws and its Executive Regulations. Among the most important objectives are:

a) the need to support and develop local government in order to transfer central authority to localities

b) the need support local government units to solve problems

c) to grant Peoples' Councils new authority to enable (them) to perform an active role in development: economically, socially, physically.

The NUS project supports these objectives by building institutional capacity through the actual provision of a number of modest size sub-projects that are responsive to the expressed needs of residents in primarily low-income neighborhoods. Instituation-building is the purpose; sub-projects are the major means to achieve this purpose.

2. Relationship to the Mission CDSS

In addition to its legislatively-mandated commitment to meeting the basic human needs of the poor, the 1982 CDSS includes both stability and decentralization as major elements of AID strategy in Egypt. Furthermore, institution or capacity-building efforts are found in almost every Egyptian sector in which USAID has activities.

Capacity-building at the district level represents decentralization components of the present project. The CDSS emphasizes that decentralization is aimed "at fostering local administrative initiatives in the interest of greater operational efficiency and a broadening of the role and responsibilities of project managers throughout the structure of the public sector". It also pointed out that weak local government has "meant that the people concerned have had little voice in determining what kinds of social and other governmental services are most important to them."

3. Relationship to AID Development Strategy

The "New Directions" legislation of 1973 committed the Agency to address the basic human needs of the poor. PD-67, dated May 27, 1976, sets the Agency policy guidance on urban-related projects. In reaffirming acceptance of this earlier directive, the AID Administrator cabled the following to USAID Missions:

> "Mission Directors and other personnel should review PD-67 in order to remove any doubts they may have about the legitimate place urban development activities may have in a country development program." (State 293386, dated 10 November 1979).

In his testimony of January 28, 1980 before the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee, the Acting Administrator of the Agency reported that "urban development problems (in the Near East) will require more attention. Cost efficient ways must be found for the development of urban infrastructure and urban services that can be financed and maintained by users." The present project incorporates these concerns.

4. Relationship to Other Similar USAID Activities

There are many USAID projects addressing the basic human needs of the urban poor, including urban water and sewerage, urban health services, and low-cost housing. Studies are underway to examine the urban informal housing sector, credit and other needs of small-scale enterprises, the development of land for low-income housing, and a national urban policy study that is to lay the basis for various urban growth strategies. In addition to training and capacity-building activities in a number of different sectors, a project is under development to provide training for non-urban governorates and their lower-tiers of local government.

The present project relates to many USAID projects concerned with the process of decentralization. By focussing on the district, and building local capacity for administrative and governmental actions, the project will parallel others in support of decentralization. More specifically, this project relates to the following ongoing activities:

a) Development Decentralization I was authorized in 1978 and currently provides nearly $12 Million for village

council income-producing cooperative projects. Many of the people participating in village cooperative enterprises also figure in the implementation of village infrastructure.

b) The Decentralization Support Fund Project (DSF) makes available $50 Million for 21 rural governorates to purchase capital equipment necessary to expand and maintain local government services in such areas as sanitation, health, transport, etc., based on their own perceived needs. The DSF project focuses on building local capacity for administrative actions that will contribute to and support other projects.

c) The Basic Village Services Project (BVS) was authorized in August, 1980. It provides $145 Million to expand the capacity of nine Governorates and some 500 rural villages throughout Egypt to develop and implement locally selected infrastructure projects. The project encourages local decision-making in matters affecting the choice, location and financing of village infrastructure.

The NUS project is consistent with the "capacity-building" emphasis of these three USAID projects above. Its purpose is to strengthen urban institutional capabilities to effectively respond to felt unmet public services and infrastructural needs at the most direct service levels. The NUS is somewhat broader in definition, as PVO activities will supplement and complement government activity.

5. Relationship to Other Donor Activity

Two related IBRD activities are underway that are separate from but generally supportive of the present project. The Bank's First Urban Project is site-specific and modest in scale, but it provides the present project and Egyptian officials with valuable lessons about what can be accomplished in very low-income areas. The Bank has also initiated a major study and plan for solid waste management in Greater Cairo. This is a plan only, with no assurance of follow-on funding. Similarly, France recently announced support of a 15-months master plan for Greater Cairo, the basis on which a mass transit system for the area will be proposed.

III. PROJECT ANALYSIS

A. ADMINISTRATIVE AND IMPLEMENTATION ANALYSIS

1. Organizations Involved

The key organizational actors in this project are:

A. The Government of the United States of America, represented by the U.S. Agency for International Development (USAID).

B. The Government of Egypt represented by an Interagency Advisory Committee (IAC) for Urban Services.

C. Four urban governorates and their related technical units consisting of Cairo, Alexandria, Giza and Qalubiya.

D. The 15 urban districts operating within the four governorates.

E. The Ministry of Social Affairs

F. A contractor selected by USAID in consultation with the GOE under a direct contract, to provide technical assistance for project operations, prioritization, private sector interface, cost verification, and municipal service improvement to the governorates and districts. The contractor will be supported by local consultants operating in (a) Greater Cairo and (b) Alexandria.

G. A contractor selected by USAID for annual evaluation of project components and activities which further the project purpose.

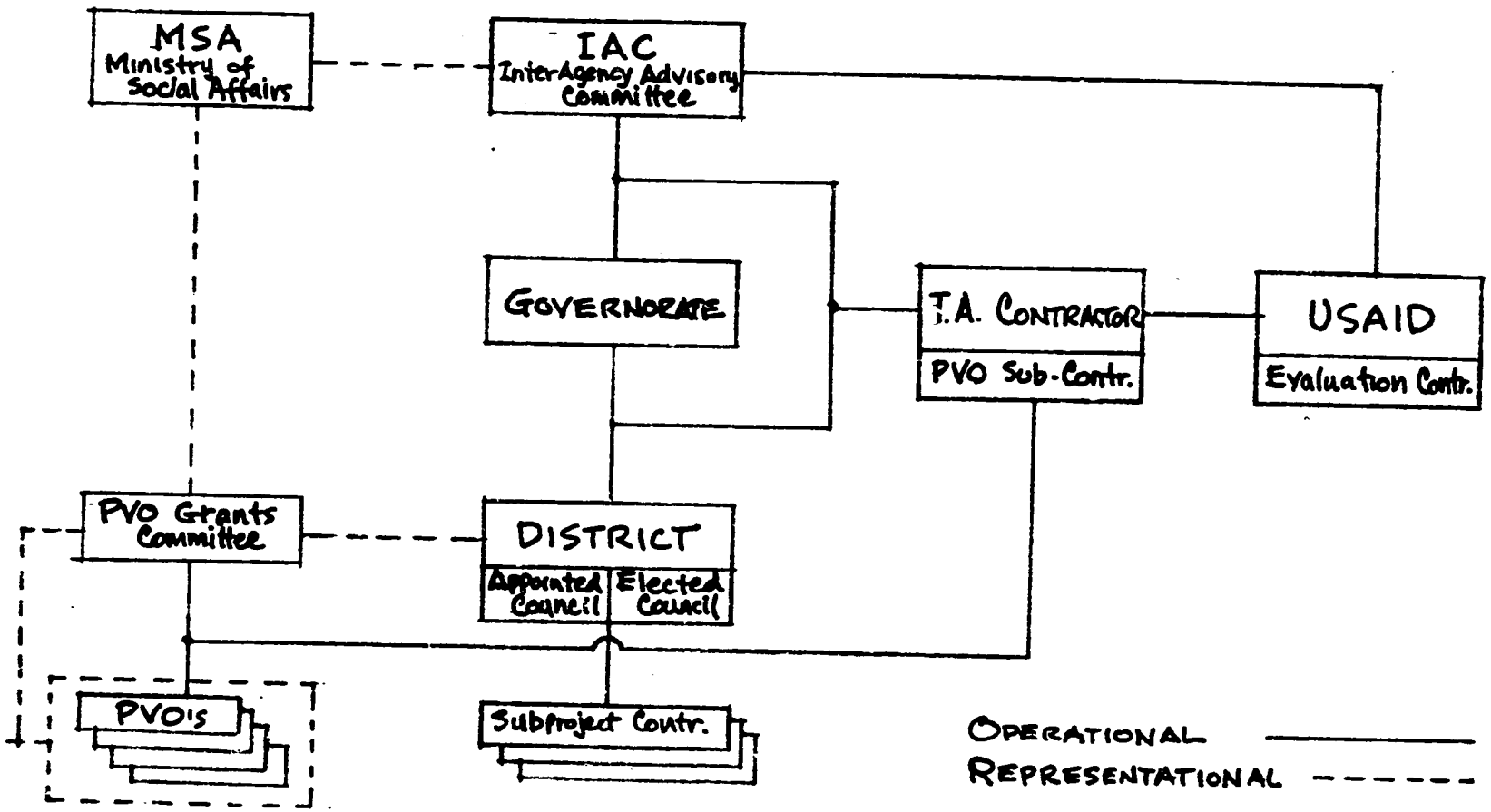
H. PVOs.

Figure 1 identifies the institutions and their operational or representational linkage. The left column of three institutions refers exclusively to NUS's PVO component. Figure 1 refers only to the factors and linkages incorporated by design in the NUS. It excludes existing linkages, and it does not identify key positions within the institutions nor how the delivery of TA is actually structured.

The major implementation steps for an annual district program cycle is presented below. Implementation steps for the PVO component of NUS are presented later.

NEIGHBORHOOD URBAN SERVICES

ORGANIZATIONAL LINKAGES



MAJOR IMPLEMENTATION STEPS

ANNUAL DISTRICT NUS PROGRAM

1. IAC promulgates general NUS program guidelines to participating Governorates.

2. Governorate forwards IAC guidelines, including special instructions or amplification to its participating districts' elected and appointed councils and requests the councils to formulate annual district NUS programs.

3. District elected Local Peoples Council (LPC) and district executive council collaborate in formulation of annual program.

4. Chairmen of the Local Peoples Council (LPC) approves annual program which is forwarded to Governorate for approval accompanied by district request for maintenance funds in amount of 10% of approved annual program.

5. Governor (a) approves individual district annual programs and forwards to IAC with request for AID funding (b) approves and forwards request for 10% maintenance funds requested by district to Ministry of Finance.

6. IAC reviews annual programs, certifies their conformity with previously agreed upon sub-project selection criteria and that 10% maintenance funds have been deposited and forwards to USAID for funding.

7. USAID reviews and approves program, disburses approved program funds to Central Bank, and notifies IAC.

8. IAC authorizes Central Bank to transfer funds to the appropriate NUS accounts with notification to Governorate.

9. Governorate receives USAID funding for undertaking sub-project activities and transfers funds to special separate NUS district investment and maintenance accounts with notification to district.

10. After receipt and deposit of funds received from Governorate, districts prepare sub-project activity execution documents and prosecute project by (1) force account, (2) contract or purchase order, or (3) turnover to national implementation agency, such as GOSSD, GOPW, etc.

11. District monitors work in progress and makes progress payments.

12. District provides Governorate monthly reports on sub-project activity progress and fund disbursements.

13. Governorate provides consolidated reports to IAC on fund disbursements and program progress.

14. IAC provides Governorate status reports to USAID on fund disbursements and program progress.

15. Joint IAC/USAID annual evaluation of district program formulation and implementation.

16. Joint IAC/USAID modification of sub-project selection criteria program formulation and implementation procedures, in order to begin following years' program execution starting at step 1 above.

2. USAID, Interagency Advisory Committee (IAC) and the GOE

Upon approval of the Project Paper and issuance of the project authorization, the Grant Agreement will be signed between USAID and the Ministry of Economy representing the GOE. Under the Grant Agreement, an Interagency Advisory Committee (IAC) will be designated to serve as secretariat for the project.

The Interagency Advisory Committee has recently been formed but lacks formal status. A similar committee was established during the Mission's Basic Village Services project and includes as its members representatives from the ministries of Economy, Local Government, Finance, Planning, and Agriculture. The NUS substitutes a representative from the Ministry of Social Affairs for the Agriculture representative, and a representative from each governorate. The Secretariat of Local Government will also serve as Secretariat for the IAC.

The IAC will:

- Certify the governorates as participants in the project.
- Issue general guidelines (from the grant agreement) to the governorates.
- Certify the establishment of accounts and/or trusts in the name of the project to USAID.
- Review and communicate project progress.
- Request and oversee general audit inspections in the governorates.

- Communicate issues and procedures to the governorates.
- Serve as a central point for project fund disbursement by USAID (funds deposited in Central Bank).
- Advise governorates/district of subgrant amounts based upon review of governorate/district plans.
- Request reviews of these allocations in light of subproject progress in each participating governorate/district.
- Keep the Ministries represented on the IAC informed of project progress.
- Serve as counterpart to USAID for project activities.

The IAC role is one of secretariat/coordinator. Items communicated to the participants such as criteria for subproject selection, procedures for establishing subproject accounts, procurement procedures and the responsibilities of the implementing entities will be those agreed upon in the grant agreement. These items will be modified as project experience dictates.

3. The Governorates

The governorates will nominate a separate central staff to handle the NUS projects in relation to both the work of the TA contractor and the submissions of the districts. They will act as the conduit by which the various guidelines from the IAC are communicated to the districts and will be the key actor in working with both the contractor and the NUS personnel assigned in the governorates and districts to operate the NUS projects. This will be especially pertinent regarding (a) conduct of the audit program, (b) the development of project criteria, and (c) making regular and definite the process, requirements guidelines and action efforts of the districts.

As the effort is to build an identified capacity for independent action by the local units, the governorate relationship will be one so that the issuance of instructions and guidelines will come after consultation with operating units, particularly the key representatives of the districts. The governorates will provide not only a transmission of the details of project operation but be a means for eliciting views and requirements from the local participants as part of continuing provision of services.

The governorates will be responsible for analyzing their respective needs and for audit of district performance. The governorates will also assume responsibility for funding the required 10% maintenance fund. These monies are dedicated to NUS project activities only, and the annual calcuations required for the computation, disbursement, and accounting of the fund will give the participating

GOE units experience in determing the real economic costs of different subprojects.

Prior studies for other decentralization projects have produced valuable information on the organization and administration of governorates. Current study has been made of the urban governorates. The urban governorates studied thus far are well organized, have aggressive leadership and possess enough technical and administrative talent to push through well planned, responsive programs. On the other hand, they are lacking in a number of skills -- for example, in planning, economic and social analysis, prioritizing projects, developing programs, and other skills they will need in order to properly certify the programs districts will submit to them for transmission to the IAC.

The governorates differ in how much they delegate authority, responsibilites, and resources to their urban districts. Alexandria has a history of delegating to districts the authority to direct and coordinate activities; Cairo has a history of allowing less discretion. Relations among governorates, districts, central ministries, and special authorities are unsettled in some functional areas.

The NUS is a mechanism to encourage decentralization and of demonstrating to governors that the national policy in this area is workable and worthwhile. With their new resources and technical assistance, districts will initiate projects and actions for governates. The pattern of communication, work and initiative will shift from only top down to more bottom-up flows.

4. The Districts

The urban district is a relatively new organization with little practical experience, searching for a forceful role. Many districts display technical capacities that make them logical implementors while others perform but minimum functions. The GOE's emphasis on an increased urban role for both the governorate and the district supports a more aggressive role that the district might play in local development.

An important implementing feature concerns the actual construction of the subprojects. Since the subprojects are to reflect district needs and choices, description of the problems to be solved will originate with the district organization. The latter varies in technical competency and experience. Project implementation must adapt to variations and be organized to assess individual district capacity for determining the extent of local responsibility.

Mission investigations show that most districts are capable of formulating project needs, sketching a general design and assessing probable effects of the project upon the area. The district varies in its capacity for technical assistance but has some engineering personnel who can refine estimates, design structures and write specifications for relatively unsophisticated projects.

The NUS centers on the development of the capacity of district governments to execute each stage of the subproject and program cycle. Both the appointed district civil servants (including the Executive Council), and the elected members (the Local Peoples' Council) of the 15 districts will have central roles in the NUS. These districts differ widely in their size, needs and capacities. The NUS consultant reports identified the technical, organizational, management, staffing, and economic deficiencies that the the NUS project will help overcome. Higher level officials point to these deficiencies to justify their reluctance to decentralize authority, responsibilities, and resources. They create a self-fulfilling prophecy: Districts are deficit-oriented systems dependant on governorate subsidies for their operation; they have not had resources for subprojects that would allow them to develop and demonstrate their competencies; the minimal investment funds they receive from the Local Services Department Fund are shared equally among the district's kisms and, as a result, only small inadequate responses to local needs are possible; because they have no resources, they have no track record, and because they have no track record, governorates feel the districts are incompetent to convert resources into subproject activities.

Despite the deficiencies, there is also evidence of success and capacity. The Mission's studies concluded that districts have the ability to manage and control money. One consultant to the NUS reported cases of exemplary maintenance of subprojects supported by the LSDF; another consultant cited a number of examples of successful subproject and O & M activities executed by districts. The consultants also found that success significantly improves a district's confidence in itself to execute additional projects. The Mission also believes that districts will not seek subprojects they cannot implement, but that increasingly larger and more complex activities will be proposed over the LOP.

The NUS will develop district capacity by linking TA and training to the execution of subprojects. Districts will learn-by-doing; on-the-job and classroom training will be closely related to project execution; TA will be provided to assure that projects are technically, administratively, financially, and socially feasible. On-going monitoring and annual evaluations of project execution,

training, and the provision of TA will help identify and overcome deficiencies and bottlenecks. NUS is designed as a self-learning self-correcting process, not a blueprint that provides unalterable procedures and systems to be imposed on and followed by the project participants.

Districts will provide appropriate staff to handle NUS activities. This staff will be the major point of contact with their counterparts in the governorates, the TA contractor, and subproject contractors. Districts do not have direct contracts with either the IAC or USAID. The districts will be responsible for providing any necessary overtime and special incentive payments. GOE financial regulations governing contracts and procurements are deemed acceptable, along with district and GOE auditing and control procedures. The Mission recommends these systems and procedures be adopted for the NUS and be supplemented by documentation procedures indicated elsewhere in this Project Paper.

The district elected Local Peoples' Concils have several responsibilities in the NUS. They are to represent and articulate citizen needs, help in prioritizing needs and subprojects, approve annual program submissions, and perform oversight of project execution and subsequent uses.

A USAID consultant examined the operations of councils, their capacity to perform the above NUS responsibilities, impacts these responsibilities might have on the civic and political life of the districts, and whether districts are the proper level of program intervention for an urban project centering on decentralization, capacity-building, and providing services that meet the felt needs of the urban poor. It was found that elected councils already perform most of the functions envisioned for them in the NUS. An in-depth study of one district found that the elected council participated in the formulation of the illustrative program of proposed subproject activities submitted to the Mission. The ten illustrative programs submitted by districts emphasized projects focussing on environmental conditions; many projects provide services to new beneficiaries for the first time. District program submissions differed in their emphasis on meeting the needs of citizens living in informal areas, and it is clear that subproject selection criteria and annual evaluations must give particular attention to equity, as this is central to the goal of the NUS. However, all citizens seem to have access to the councils. An analysis of council deliberations indicates that council members already address and debate citizen concerns reflected in proposed NUS subproject activities. Elected councils obviously differ from one another, but the consultant studies indicate that the

responsibilities the elected members have under the NUS will not be new nor politically devisive.

Elected councils have their deficiencies. They do not have clear legislative responsibilities, and many council members define their role as dealing with and solving problems of a daily nature presented by citizen complaints and demands. Councils are accustomed to addressing individual rather than group needs; they have little experience in prioritizing needs and subprojects, and they lack staff assistance in the performance of their responsibilities. NUS will address some of these deficiencies by providing training and TA. The councils have linkages in the NUS to the TA contractor, the Executive Council and through it to the governorate, and to the PVOs through representation on the district-level PVO grants committee.

NUS subprojects are small enough for districts to execute by force account. Others will be contracted to public or private companies, as well as to PVOs who in turn may subcontract to a private firm. USAID's experiences indicate that both urban and rural Egypt have many qualified contractors able to execute construction activities. Most of their experience has been in road, potable water, drainage, and building construction. Private contractors often have operable equipment that districts and public firms are without. Local governments already use these companies for capital construction and are familiar with contracting procedures for them.

Less is known about the capacity of the construction sector to respond to the different mixes and levels of capital investment. An evaluation of the BVS program found material shortages a serious problem in some areas, and the same could be true for NUS. Therefore, the TA contractor and the governates will analyze program submissions and monitor project execution with regard to potential materials and other sector constraints. Annual evaluations will review monitoring reports with regard to possible ameliorative actions.

5. Technical Assistance Contractor

USAID in consultation with the GOE will enter into a direct contract with an American consultant to provide the participating Egyptian institutions with technical assistance and training for all phases of program and project execution. The contractor will relate primarily to the districts but will be available to governorates and the IAC as well. Annex 8 includes a draft scope of work for the contractor, and it details the skills required of the staff and the procedures to be followed in identifying needs and delivering

services. Certain tasks will serve all participating units -- for example, the contractor will develop and help implement a management information system, analyze training needs, conduct continuing constraints analyses and special studies, and investigate the arrangements for in-country training. The contractor's role is of great importance in helping to achieve the process of increased capacity within the governorates and the districts and to produce distinguishable outputs.

The contractor's core staff is small in number and likely to consist primarily of American experts. The frontline staff having daily contact with the districts will be Egyptian-speaking district activators. Although defined as consultants, these public administration generalists will necessarily assume operational responsibilites as they assist the districts and governorates in assuring conformity with subproject selection criteria and procedures, in developing technical skills as a form of OJT, and in project execution.

These district activators will be dedicated to the work for the districts so that they are not identified as USAID representatives looking over the shoulders of Egyptian civil servants. Initially, however, the activators will be employees of the contractor. They can and will be advocates of the districts, but at the beginning they must also be instruments for standardization, enforcers of the submission requirements, and perhaps more objective devil's advocates in prioritizing subproject activities. Being employees of the contractor also relives USAID project management of monitoring each district's application of the activator's efforts. The structure for delivering TA will, however, remain flexible, and annual evaluations may suggest alternative arrangements for future years.

NUS will begin with less than one activator per district deployed in a way to recognize differences in need and capacity. In addition to providing assistance directly to the districts, the activators will use their knowledge of the contractor's resources in order to draw on special expertness.

The TA contractor is USAID's major link with the NUS. Although the contractor is to concentrate on NUS activities, one measure of the project's success will be the degree to which NUS-developed systems, procedures, and instruments are adopted for non-NUS activities.

The contractor's role in monitoring and supporting decentralization through capacity building will be essentially fourfold. First, it will be concerned with project implementation within the context of

urban betterment; i.e., the extent to which the various districts are progressing in their ability to determine requirements, set priorities, develop specifications, as well as manage, operate and maintain systems. Second, it will review the screening of governorate analyses - of requirements or needs - to assure general appropriateness and conformance with eligibility criteria. Third, it will assist the governorates in the development of technical skills. Finally, it will work with the IAC, the governorates and districts in evaluation of the projects.

6. District-Level PVOs

The PVO component of NUS shares the goal and purpose of the overall project but capacity-building efforts center on PVOs rather than on governmental units. In addition to registered and unregistered voluntary associations, this component indicates that MSA, district-level PVO grants committees created for this project, and an American contractor will be responsible for PVO activities. Although the IAC, governorates, and districts are not directly linked to the PVO portion of NUS, mechanisms to effect coordination with these governmental units are built into the project design through the representational links indicated in Figure 1. A full description fo the PVO component for the NUS project is provided in Annex 6.

The major implementation steps in the annual district PVO program are listed below:

1. PVO consultant opens a non-interest bearing bank account (a revolving fund) from which only PVO project funds can be drawn.

2. District-level PVO grants committees are created.

3. PVOs submit proposals through PVO activators to the appropriate district PVO grants committee.

4. PVO consultant informs MSA, the chairman of the elected council, and District Chief by letter when a project is approved and that funds will be transferred to that association.

5. Consultant makes actual transfer of funds at stipulated dates.*

6. USAID replenishes bank account upon receipt of supporting documents and consultant's projected funding requirements for the next quarter.

*This procedure is subject to modification. Possible alternative may be through district PVO Grants Committees or the districts themselves.

7. Consultant provides quarterly status report on fund disbursement and program progress to USAID and MSA through TA contractor.

8. Joint MSA/USAID annual evaluation of program formulation and implementation.

9. Joint MSA/USAID modification of PVO program in order to begin following year program implementation at step 3 above.

a. PVO Grants Committee

Each district will have a PVO grants committee of three members: a respresentative elected by the registered volunteer associations with the district, a member elected by the District Local Peoples' Council, and the district representative of the MSA. The committee is a decision-making body approving or denying of project proposals.

The consultant will work with the MSA and USAID in formulating project selection criteria, incorporating the MSA's current criteria supplemented by USAID guidelines. Emphasis will be placed on projects serving informal areas, innovative activities, and citizen (especially beneficiary) participation. The Mission believes that the criteria and procedures adopted for this PVO component of the NUS satisfy Section 611(a) requirements.

The representatives on the grants committees provide for coordination at the district level with the MSA, through the Ministry to the IAC, and through the two governmental representatives to the district government.

b. Ministry of Social Affairs

The MSA has three major responsibilities under NUS: (1) It registers PVOs and thereby qualifies them for MSA and NUS program and project grants. (2) Through the links noted in Figure 1, it provides for coordination with district-level MSA programs as well as governate and national-level coordination through the IAC. (3) It will audit NUS PVO grants in the same way it audits its own grants to associations. The MSA's auditing procedures for PVOs have been reviewed, assessed, and found acceptable by the Mission's consultant, and the Mission recommends that they be accepted.

The NUS consultant studies of the MSA identified strengths and weaknesses (see Annex 6). Its strength lies in the close and typically positive relationships it has established with PVOs. Because its resources are limited, it typically provides partial

funding to projects only. In the eyes of the PVOs, the Ministry has been very slow in releasing funds; its regulations seem onerous to some; and it tends to represent a traditional patronizing approach to volunteerism. Most PVOs welcomed the MSAs concern and assistance, but they were suspicious of the Ministry's grant mechanism. The PVOs clearly preferred an alternative mechanism, one that brought decision-making down to a lower level, provides for a quick release of funds, and yet involves the Ministry in the project approval process. The NUS PVO design accommodates these preferences.

c. PVOs

The NUS has two major PVO purposes: (1) to strengthen PVOs' managament capacities so they can better plan, implement, and sustain projects, and (2) to help voluntary associations in informal areas to encourage self-help efforts that lead to increasing self-sufficiency. One NUS consultant conducted an in-depth study of 11 PVOs, and another consultant examined a number of PVO-executed projects. Both discovered strengths and weaknesses. The strengths include the PVOs' concern for targeting the urban poor and for operating programs in informal areas. The sample of PVO projects examined indicated a range of beneficiaries from 400 to 5000 per project per annum. Many PVOs are quite successful in raising their own funds through membership fees and donations that are in turn supplemented by grants administered by the MSA. The very fact that the MSA is only able to provide partial funding indicates that demand far exceeds the supply of resources. Voluntary associations have a vast capacity to absorb and constructively use more money in ways to benefit the urban poor and build better neighborhoods.

PVOs also suffer a number of deficiencies. They lack management, programming, design, production, marketing, training skills and more effective ways to enhance the involvement and participation of the local residents in the development of their communities. The NUS will address these deficiencies by providing TA and training with an emphasis on self-help and self-sufficiency of the associations. Also, informal voluntary associations, especially in informal areas, will be assisted to register so that they can qualify for MSA and NUS grants. It is not anticipated that the MSA will necessarily sustain the flow of grant monies provided by USAID, although the upward trend of government funding for PVOs is likely to continue. The end of project status will, however, find PVOs appreciably strengthened, better able to use their own resources, better able to sustain themselves, have more citizen participation, benefit more of the urban poor and have adopted new approaches to volunteerism.

d. PVO Consultant

The direct-contract USAID TA consultant will engage a subcontractor, conceivably an American PVO to carry out the private sector component of the NUS. The consultant will deliver TA and training through neighborhood activators (less than one per district to begin with). They will work in helping unregistered PVOs to register. They will work with PVOs in developing their proposals, and they will provide advice and arrange for training relating to project execution. They will also service the PVO grants committees by calling meetings, setting agenda, presenting properly prepared proposals, and providing explanations and recommendations when requested. The consultant monitors the actual transfer of funds to PVOs whose proposals are approved. He also trains and supervises the neighborhood activators who are employed by the consultant under the terms of his subcontract. Annex 8 includes job descriptions for the consultant; Annex 6 includes one for the activators.

In contrast to the district government component of the NUS, PVO funds will not be allocated to districts by a formula that recognizes need, performance, and capacity. The project selection criteria adequately addresses "need". Although the consultant services funded by AID will be withdrawn at the end of the project, it is anticipated that the PVOs, either by themselves of in cooperation with the MSA, are likely to develop means to continue the provision of services offered by the consultant and the activators.

7. USAID Management and Evaluation

The USAID/Egypt Assistant Director for Development Resources and Program Support (DRPS), or his designee, will have overall AID management responsibility. Day-to-day monitoring will be lodged in the Office of Local Administration and Development which has responsibility for the Mission's decentralization project portfolio. This office will have as one of the primary concerns the relationship of the project to the decentralization process as well as its interrelationship with the other urban projects. In addition, USAID's Office of Local Administration will have responsibility for review of district requirements analyses and implementation performance.

One direct hire employee will be assigned management responsibilities and will be supplemented by sufficient local hire professionals as required. AID will not examine subprojects but be limited to reviewing program submissions, conducting normal field visits to subproject activities, and providing supervision of the TA contractor and through him the PVO consultant. The Mission will also attend meetings of the IAC. The technical assistance mode for

NUS is designed to minimize the demand on Mission staffing and resources.

B. ECONOMIC JUSTIFICATION

Projects that have capacity-building as their purpose do not readily lend themselves to quantitative economic analysis. Furthermore, few if any NUS subprojects executed by districts will generate revenues and, therefore, it is not possible to estimate economic rates of return. It is clear, however, that there are both costs and benefits.

There are five major types of benefits. (1) Infrastructure and services subprojects will positively impact on health and the productivity of residents. (2) These subprojects will provide an economic stimulus to neighborhoods to further improve services, make additional investments, and thereby further improve health and productivity; some of these effects may be discernable in long-run increases in property values and human capital. (3) Because projects are locally determined by people close to the needs of the residents, the NUS should result in a more efficient allocation of resources. (4) Enhanced capacity will result in the more efficient use of future resources. (5) Subprojects will create additional employment directly in the construction sector and indirectly in the materials and other sectors. It is not possible to assign precise economic values to any of these benefits.

Subprojects obviously have costs, but the illustrative programs submitted to USAID indicate a wide range of types and sizes of projects, most of which are site-specific. It is not possible, therefore, to estimate project costs when the actual projects themselves have not been selected. However, the 10% maintenance fund required for the NUS will focus GOE and PVO attention on the true economic costs of projects. The TA consultant will assist the participating units in assessing these costs and in selecting the least-cost alternative.

Quantitative economic analysis will be used where possible, but primary reliance will be place on qualitative socio-economic and administrative analyses. This emphasis is reflected in the subproject selection criteria (See Annex 13). They reflect to particular kinds of beneficiaries (the urban poor, those living in informal areas, women and children, etc.), to their numbers, needs, and the nature and size of the impacts that projects will have on them. These criteria, qualified to the extent possible, will be used in selecting alternative projects and for placing them in an overall prioritized list. Annual evaluations will assess the success of these analytical procedures.

C. BENEFICIARY ANALYSIS

A World Bank report estimates that 30 percent of Egyptian urban households in 1974-75 fell below the "absolute poverty line", in contrast with 35 percent of the rural households. There are perhaps between 2.7 and 3.7 million residents of Greater Cairo and Alexandria below this line, and there are millions of others marginally above it.

If proverty refers to a family's ability to purchase essential goods and services, then income is, as used in the Bank's estimates, not a reliable indicator of poverty conditions in urban Egypt. There are vast areas within Cairo and Alexandria where essential services, a safe and healthy environment, and convenient access to needed services and resources cannot be purchased at any price. Deprivations, resources, and poverty are spatially distributed in a way that yields a rich mosaic of differences among and within sections of the two urban areas. (Annex 9 provides further information on this mosaic.)

The purpose of the NUS is capacity-building and, therefore the first-order beneficiaries are the employees of government agencies or PVOs who are trained and participate in this project in the course of the strengthening of institutional capacities to identify, develop, implement, and manage a large number of small sub-projects in districts throughout Greater Cairo and Alexandria. Their competence will be enhanced, their productivity should increase, and this increase should be rewarded according to standard government compenstation regulations. The second order beneficiaries are those hundreds-of-thousands of residents in low-income neighborhoods where the actual sub-projects are sited. The sub-projects will be relatively small and dispersed; there will be a large number of them; and they will be diffused throughout low-income neighborhoods in both metropolitan area. Being neighborhood-based, they should be of special benefit to women and children.

D. ENVIRONMENTAL SUMMARY

The approach to reviewing the environmental impact of sub-projects was presented by the Mission and approved by AID/W in PID review. It was recognized that each sub-project would have to be independently reviewed as to its effects upon the environment, but that such could not be done until the Project was underway and sub-projects were prepared (See Annex 10). The is check list will be required for all sub-projects involving construction or otherwise anticipated to alter environmental factors.

NUS PROJECT IMPLEMENTATION SCHEDULE
KEY DATES FOR AID TIMING

ACTIVITY	ACTIVITY COMPLETION					
	1981	1982	1983	1984	1985	1986
1. Mission PP Approval/RFP Issued	July 15					
2. NEAC PP Approval	Aug 1					
3. Authorization Signed	Aug. 20					
4. TA Response to RFP	Aug. 30					
5. AID/GOE PA Signed	Sept.10					
6. IAC Cp's met	Oct. 15	June 1	June 1	June 1	June 1	
7. TA Contractor Selection	Oct. 15					
8. TA Contract Negotiation Start	Oct. 20					
9. Disbursement to CB	Oct. 30	July 1	July 1	July 1	July 1	
10. TA Contract	Nov. 15					
11. Modified Guidelines for Projects			Jan. 10	Jan. 10	Jan. 10	
12. TA Team Operational		Jan. 15				
13. Giza/Qualubiya Govts in Project		Jan. 31				
14. TA Field Assessments		Feb. 15	Feb. 15	Feb. 15	Feb. 15	
15. Annual TA Work Plan Approval		March 1	March 1	March 1	March 1	
16. Subproject Submissions to IAC		March 30	March 30	March 30		
17. Training Plan Approvals		May 1	May 1	May 1		
18. Annual CP/Convenant Review		May 15	May 15	May 15	May 15	
19. AID Internal Project Evaluation		Aug. 15	Aug. 15	Aug. 15	Aug. 15	Aug. 15
20. Maintenance Plan Final		Sept. 1				
21. Non Govt. Role (PVO,Assn.) Final		Sept. 1				
22. Annual External Evaluation		Nov. 30	Nov. 30	Nov. 30	Nov. 30	Sept. 1
23. Equipment Plans Final			April 1			
24. End of Project						Sept. 30

VI. SUMMARY COST ESTIMATE AND FINANCIAL PLAN

A summarized cost estimate and financial plan for both the USAID and GOE contributions to the project are presented in tabular form on tables F-I through F-III. The tables present the cumulative estimated cost of the project at $102,900,000 by adding the GOE local currency and in-kind contribution converted to dollar equivalent to the USAID dollar contribution.

USAID Funding

The total USAID contribution to the project is $89,000,000 to be disbursed over the five-year period October, 1981, through September 1986 (FY 1982- FY 1986), with the funds being authorized in FY 1981. US dollar funds cover (a) program funding for sub-projects implemented by district governments, (b) sub-project activities carried out by PVOs, (c) technical assistance and evaluation services to be carried out by US contractors and consultants with the help of Egyptian technicians and consultants, and (d) training costs of a limited number of US participants and a significant amount of in-country training. Details of the process resulting in these projected costs are contained in Annex 4. The AID funding amounts to 86.5% of the overall project cost.

Host Country Funding Requirements

The total Egyptian contribution to the project is estimated at LE 9,728,000 of which LE 400,000 is credited as PVO staffing costs. The remaining LE 9,328,000 is the GOE contribution both in-kind and actual budget allocations as detailed in the table below. Sub-project planning and design costs, possible land acquisition costs, and sub-project activity cost overruns are being estimated to total 5% of the AID funds programmed for annual sub-project programs. The maintenance funds to be provided by the GOE are 10% of the AID provided sub-project funds. LE 2.5 million is allocated, at LE 500,000 per year, to cover salaries, overtime, allowances, incentives and attendant fringe benefits and overhead costs of all GOE personnel involved with NUS program execution. PVO staffing is estimated at LE 400,000 over the LOP. The GOE will also provide limited in-country training support, estimated at LE 175,000 over the LOP, in the form of training facilities, training materials, and instructors and trainers.

The total of LE 9,778,000 is equivalent to US$13,900,000 (LE 0.70=$1.00), which is 13.5% of the overall project cost.

Disbursement Procedures

Based on a demand analysis performed by the Mission with the cooperation of the districts, disbursements for district sub-project activities for the remaining 1981 Egyptian fiscal year and the 1982 fiscal year have been set, as reflected in Annex 4 of this paper, at a level of approximately $15 million. After required CPs are met under the project, the Mission will make an initial disbursement for 1981-1982 NUS program activities in the amount of $4.3 million. Subsequent disbursements will be made at six-months intervals in amounts contingent upon the assessment performed by the IAC, Governorates, AID, and the TA contractor of program performance to date and an evaluation of estimates made by districts of their cash flow needs for the subsequent periods.

After giving careful consideration to cash management aspects in disbursing funds well in advance to actual program implementaion, a determination was made by the Mission to have funds available at the nearest control point (districts) as early as possible in the project. This determination was reached on the grounds of providing, without slowing down program implementation, a means by which to evaluate not only the existing capability of districts to absorb additional resources but also to evaluate the effectiveness of the financial reporting systems developed for this project.

If systems developed for (a) reporting and evaluating the use of funds at the district level, (b) determining at the district level and reviewing and approving at the Governorate, IAC, and AID levels additional funding needs for program financing of sub-project activities, and (c) disbursing and transferring funds throughout all levels (AID to IAC, IAC to Governorates, and Governorates to districts) prove to accomplish program activities in an effective manner, the Mission will consider disbursements in advance of actual needs in periods of less than six months in subsequent years.

All funds disbursed by AID for district program financing of sub-projects will be deposited at the Central Bank of Egypt in an account opened by the IAC in the name of the NUS project. After the receipt and deposit by IAC of funds disbursed by AID, the IAC will issue checks in the amount of approved programs to each of the participating Governorates for pass-through to each district. Each district will then deposit AID funds in a special non-interest bearing bank account and make disbursements to the appropriate, approved program sub-projects. The details involved in reviewing, approving, and processing disbursements for program grants are indicated in Section III A of this paper.

AID funds provided under this project for PVO sub-project activities, training (US and local), technical assistance, and evaluation will be made available based on provisions established and approved by AID during project implementation and contract negotiations. The primary project contractor, who will provide personnel for assisting the districts in program execution and through the sub-contractor personnel for the PVO program as indicated elsewhere in this paper, and other contractors (for evaluation, etc.) will be a direct USAID contract.

Reporting

Districts will submit monthly implementation and financial reports on the use of their NUS funds to the Governorate. Governorates will certify these reports and send them to the IAC and USAID. Annex 5 presents forms the Mission has prepared for initial utilization. The TA contractor will assist the participating Egyptian entities in evaluating and adapting these forms for:

> Monthly reports by districts summarizing movements in their NUS account,
>
> Monthly reports by Governorates to USAID and the IAC consolidating district monthly balance summaries and certifying that the accounts have been reviewed and that funds disbursed conform to the terms of the agreement.
>
> Monthly reports that accumulate project implementation and fund movements, as well as estimate final balances for each district.

The reports also provide a record of procurement, contractual obligations, disbursements, and status of approved NUS sub-projects, including certification of completion of work.

D. Audits

Local Government audits are of the post-audit type rather than pre-audit. At the district level, payments are reviewed for correctness and conformity to contract; no pre-reviews are required at higher levels prior to disbursement. Audits are performed by (1) the Governorate Financial Unit, (2) the Ministry of Finance Governorate Representative, and (3) the Central Organization for Accounts of the National State Council. Auditors review the budgets,

all records of receipts and disbursements, invoices and vouchers and bank statements of all bank accounts to check for accounting errors, legality of disbursements and correctness of procedures followed. The Finance Unit at the Governorate prepares a monthly audit and provides continuous guidance to the District Financial Affairs Division in preparing and maintaining records.

The Ministry of Finance Representative conducts frequent and annual audits, and the General Organization for Accounts conducts an annual audit. Copies of all audits and financing are provided to the District and to the Governor. Any errors detected must be examined and corrected by the Governorate. In the event of discovered malfeasance, the District Council and Governorate must provide a full report and legal actions are taken against malefactors as appropriate. Financial regulations governing contracts and procurements for the Arab Republic of Egypt are detailed in GOE Handbook on Procurement and Contracts prepared by USAID/Cairo. All financial records remain at the District level.

The system is well understood and used by the Councils of the Governorates and provides for expeditious disbursement of program funding, while offering an adequate system of safeguards and controls. Use of a separate account of AID-financed programs, offers the added advantage of promoting fiscal management autonomy at the District level.

The NUS project incorporates the following audit responsibilities:

- The IAC role includes the right and obligation to see that periodic audits are performed.

- The Governorate, through its Financial Unit, has the responsibility to audit and certify expenditures.

- USAID retains the right to independent audit and review, but in all liklihood, will limit its activity to a test check of the audits performed by the IAC and the Governorates.

The application of the fiscal controls and auditing procedures outlined above with respect to the AID financed Neighborhood Urban Services program Special Account is entirely suitable for the fiscal administration of the NUS Program.

TABLE F-1

Neighborhood Urban Services Project
Summary Cost Estimate and Financial Plan (US$ 000)

	USAID			GOE	PROJECT		
	FX	LC	TOTAL	LC	FX	LC	TOTAL
District Sub-project Activity	-	63,000	63,000	9,500	-	72,500	72,500
PVO Sub-project Activity	-	11,400	11,400	-	-	11,400	11,400
Staff Support	-	-	-	4,150	-	4,150	4,150
Technical Assistance	3,900	3,400	7,300	-	3,900	3,400	7,300
Evaluation	380	320	700	-	380	320	700
Training	340	500	840	250	340	750	1,090
Inflation	700	600	1,300	-	700	600	1,300
Contingency	280	4,180	4,460	-	280	4,180	4,460
Total	5,600	83,400	89,000	13,900	5,600	97,300	102,900

Table F-2

Costing of Project Outputs/Inputs (US$ 000)

Outputs/ Inputs	Local Services	PVOs	Tech. Assist.	Train-ing	Total
AID Appropriated	63,000	11,400	8,000	840	83,240
-Inflation	-	-	1,140	160	1,300
-Contingency	3,350	600	460	50	4,460
Host Country	13,250	400	-	250	13,900
Total	79,600	12,400	9,600	1,300	102,900

Note: LE 0.70= US$ 1.00

Table F-111

Neighborhood Urban Services Project
Summary of Expenditures by Fiscal Year (US$ 000)

	1981/82	1982/83	1983/84	1984/85	1985/86	TOTAL
AID FUNDING						
District Sub-project Programs	4,300	10,900	16,400	16,400	15,000	63,000
PVO Project Activities	1,400	3,600	2,900	2,100	1,400	11,400
Technical Assistance & Evaluation	1,600	2,100	2,000	1,900	1,540	9,140
Training	50	350	350	200	50	1,000
Sub-Total	7,350	16,950	21,650	20,600	17,990	84,540
Contingency	450	850	1,050	1,000	1,110	4,460
Total AID Funding	7,800	17,800	22,700	21,600	19,100	89,000
GOE FUNDING (LE 000)						
Design, Land Acquisition, etc.	152	385	578	578	525	2,218
Maintenance Funds	305	770	1,155	1,155	1,050	4,435
Staffing, Overtime, Incentives	500	500	500	500	500	2,500
PVO Costs	80	90	80	75	75	400
Training Support	15	55	55	35	15	175
Total GOE Funding (LE 000)	1,052	1,800	2,368	2,343	2,165	9,728
Total GOE Dollar Equivalent	1,500	2,570	3,380	3,350	3,100	13,900
PROJECT TOTAL	9,300	20,370	26,080	24,950	22,200	102,900

V. EVALUATION

The ultimate success in achieving the objectives of this project will depend on the accuracy, credibility, and acceptance of continual evaluation applied to various components of the project.

USAID has entered into a contract with a consultant to draft an evaluation plan for the BVS project. To date, the major emphasis of this work has been on decentralization, a concern of the NUS as well. However, the present project will require that much more attention be given to conceptualizing and measuring capacity-building and impacts on beneficiaries. To this end, the Mission is in the process of drafting a scope of work to accomplish four major objectives: (1) measurement of the real impact the NUS has on the urban poor and its responsiveness to the needs of its target populations, as well as means to assess the nature and degree of participation of the beneficiaries and local leaders in sub-project selection, planning, and implementation; (2) measurement of the impact of the NUS on the planning and implementation capability and productivity of districts, PVOs, and concerned governmental entities; (3) measurement of changes in the delegation of authority, responsibility, and resources by Governorates and central ministries to the urban districts; and (4) how best to formulate evaluation objectives and findings so that they meet the felt decision-making needs of USAID, the participating Egyptian agencies, and the TA contractor.

The scope of work also specifies that the detailed design of the evaluation plan consider questions of organization, methodology, and implementation, as well as the utilization of findings. Finally, the design consultant will propose the role that USAID project management should play in the continuing evaluations.

The Mission will use the results of this design work as a basis for entering into a direct contract for evaluation services to be provided the NUS.

VI. CONDITIONS, COVENANTS AND NEGOTIATING STATUS

In addition to the usual conditions, the Project Agreement will inlude:

a. Conditions Precedent to Commencement of Individual District Programs. Prior to any disbursement or to the issuance of any commitment documents for any program of sub-projects, unless A.I.D. may agree in writing, the Grantee and A.I.D. shall agree on the general criteria for the eligibility of program sub-projects for financing.

b. Covenants:

(1) The Grantee shall continue the establishment of the Interagency Advisory Committee with such authorities and responsibilities as are required to enable it to function effectively as the entity responsible for coordination of activities to be carried out under the project

(2) The Grantee will take appropriate steps to ensure that all involved agencies of the GOE assign required staff to the project for proposes of carrying out implementation activities.

(3) The Grantee agrees to annually furnish, except as the parties may otherwise agree in writing, in form and substance satisfactory to A.I.D.:

(a) Evidence that adequate arrangements have been made for the deposit of maintenance funds for the program by appropriate participating entities.

(b) Estimates of sub-project requirements for commodities and services.

(c) A description of procurement procedures to be followed.

(4) The Grantee agrees to establish a procedure acceptable to A.I.D. which will ensure that environmental considerations are taken into account by the Governorates or other entities in the process of developing and carrying out sub-project activities.

(5) The Grantee agrees that in establishing national budgets subsequent to the effective date of the Project Grant Agreement, the Grantee will take into account the requirement for funds by the Governorates for the maintenance of sub-project activities financed under the Grant. The Grantee agrees to periodically consult with A.I.D. to ensure that such considerations are made part of the normal budget allocation process.

(6) The Grantee agrees that (a) any interest earned or accrued on the funds made available herein will be refunded to A.I.D.; (b) an appropriate refund to A.I.D. will be made in the event of disallowances in accordance with the terms or implementation procedures of this program; and (c) a refund or credit will be made as A.ID. may deem appropriate in the event funds are not expended.

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

ANNEX 1

PROJECT AUTHORIZATION

Name of Country: Arab Republic of Egypt

Name of Project: Neighborhood Urban Services Project

Number of Project: 263-0153

1. Pursuant to Section 532 of the Foreign Assistance Act of 1961, as amended (The Act), I hereby authorize the Neighborhood Urban Services Project for the Arab Republic of Egypt involving planned obligations of not to exceed $89,000,000 in grant funds over a five-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The Project consists of technical assistance to Egypt to assist the Cooperating Country in accelerating the process of administrative decentralization in urban governorates by increasing investment budgets under the jurisdictions of the Governorates. The project will expand and strengthen urban institutional capabilities by financing subproject investment, procurement, training and evaluation primarily for activities related to the improvement of public services and infrastructure.

3. The Project Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

(a) Source and Origin of Goods and Services

(1) Except as A.I.D. may otherwise agree in writing or as provided in Paragraph 3(a)(2) below, goods and services financed by A.I.D. under the Project shall have their source and origin in the United States or the cooperating country.

(2) Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

(b) Conditions Precedent to Disbursement

(1) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement except for goods or services to be procured directly by A.I.D., the Grantee shall furnish, except as A.I.D. may otherwise agree in writing, in form and in substance satisfactory to A.I.D.:

A statement of the name of the person holding or acting in the office of the Grantee specified in the Agreement to be financed hereunder, and any additional representatives, together with a specimen signatures of each person specified in such statement.

(2) Prior to any disbursement or to the issuance of any commitment documents for any program of sub-projects, unless A.I.D. may agree otherwise in writing, the Grantee and A.I.D. shall agree on the general criteria for the eligibility of program sub-projects for financing.

(c) Covenants

(1) The Grantee shall continue the establishment of the Interagency Advisory Committee with such authorities and responsibilities as are required to enable it to function effectively as the entity responsible for coordination of activities to be carried out under the Project.

(2) The Grantee will take appropriate steps to ensure that all involved agencies of the GOE assign required staff to the project for purposes of carrying out implementation activities.

(3) The Grantee agrees to furnish annually, except as the parties may otherwise agree in writing, in form and substance satisfactory to A.I.D.:

(a) Evidence that adequate arrangements have been made for the deposit of maintenance funds for the program by appropriate participating entities.

(b) Estimates of sub-project requirements for commodities and services.

(c) A description of procurement procedures to be followed.

(4) The Grantee agrees to establish a procedure acceptable to A.I.D. which will ensure that environmental considerations are taken into account by the Governorates or other entities in the process of developing and carrying out sub-project activities.

(5) The Grantee agrees that in establishing national budgets subsequent to the effective date of the Project Grant Agreement, the Grantee will take into account the requirement for funds by the Governorates for the maintenance of sub-project activities financed under the Grant. The Grantee agrees to periodically consult with A.I.D. to ensure that such considerations are made part of the normal budget allocation process.

(6) The Grantee agrees that (a) any interest earned or accrued on the funds made available herein will be refunded to A.I.D.; (b) an appropriate refund to A.I.D. will be made in the event of disallowances in accordance with the terms of implementation procedures of this program; and (c) a refund or credit will be made as A.I.D. may deem appropriate in the event funds are not expended.

4. Section 612(b) determination

Based on the justification set forth in ANNEX 2c of the Project Paper, I hereby determine in accordance with Section 612(b) of the Act, that the expenditure of United States dollars for the procurement of goods and services in Egypt is required to fulfill the purposes of this project; the purpose of this project cannot be met effectively through the expenditure of U.S.-owned local currencies for such procurement; and the administrative officials approving local cost vouchers may use this determination as the basis for his certification as required by Section 612(b) of the Act.

5. Waivers

Based upon the justification set forth in Annex 2b of the Project Paper, I hereby modify the limitations on the per unit price and the total amount of shelf items that may be procured in accordance with Handbook 1, Supplement B. Chapter 5B 4b(7) for sub-projects financed under this grant as follows:

(a) The per unit limitation is raised to $10,000 and may be waived further by the Mission Director pursuant to authority perviously delegated (Redelegation 40.5) on a case-by-case basis.

(b) The Project total amount of imported shelf items is raised to 10% of project local cost financing approved (i.e. $1.4 million at the present time).

M. Peter McPherson
Administrator

Date Aug 18, 81

AA/NE:WAFord date 11 Aug 81
GC:JBolton date 8/7/81
A-AA/PPC:LSmucker date 8/18/81

ANNEX 2a

DETERMINATION AS PROVIDED FOR UNDER PD 68 THAT DIRECT CONTRACTS FOR TECHNICAL SERVICES AND EVALUATION BE PREFERRED MODE OF IMPLEMENTATION

Discussion: Implementation of this project will include technical assistance and evaluation. The project is intended to support the decentralization policy of the Government of Egypt by centering activity at the urban district level. The districts will choose problem areas to be dealt with, make analyses and develop performance under the project. The central government plays a reviewing and coordinating role through the Interagency Advisory Committee. Progress in these areas will be evaluated annually.

In accord with the decentralized implementation of the project, it is planned that the technical and evaluation services to be contracted for under this project will be provided for the most part directly to the Governorates and districts participating in the project.

A host country contract would require that the contractors be responsible to a single central entity within the Egyptian Government. Mission believes this would be inappropriate since those to whom the contractor needs to be responsive under the project will be legal officials of Governorates. For a central Egyptian agency or ministry to contract for services which are to be supplied to various local government entities would mitigate against the implementation of the project as the contractor would necessarily be required to present primarily the interests of the Central Government. This would hinder the project purpose of supporting and strengthening decentralized local administration.

Section III of Policy Determination (PD) 68 sets forth guidance with respect to exceptions to the policy favoring host country contracting in AID financed projects. That section provides in part that the USAID Director may when "Special circumstances including instances in which country contracting would give rise to special difficulties in the host country/contractor relationship inimical to the attainment of project objectives" the Mission Director may determine that a direct contract is appropriate. The problems presented above are precisely the kind of special circumstances described in PD 68.

Based on the above, in accordance with Section III of PD 68, I hereby determine that a direct contract for the services of the technical assistance contractor and evaluation contractor are the preferred mode of implementation of this project.

Donald S. Brown
Director

ANNEX 2b

PROCUREMENT SOURCE WAIVER

DRAFTED: NE/TECH/SARD, Robert E. Mitchell

INITIALED: _____

WAIVER CONTROL NO.: _____

PROBLEM: Request for Procurement source/origin waiver from Geographic Code 000 (U.S. only) to Geographic Code 899 (Free World).

(a) Cooperating Country: Egypt

(b) Authorizing Document: 263-0153

(c) Project: Neighborhood Urban Services

(d) Nature of Funding: Grant

(e) Description of Goods: General/miscellaneous construction materials and equipment

(f) Approximate Value: $1,400,000

(g) Probable Source/Origin: Egypt/Free World (Geographic Code 899)

(h) Source Waivers Granted for Procurement of Imported Shelf Items

DISCUSSION: USAID/Cairo has stated that the estimated 3400 modest-size activities to be developed, executed, and maintained by local district governments and PVOs will require for their construction and implementation the procurement of miscellaneous imported shelf items. Although it is not possible to predict the composition or cost of particular sub project purchases, the total value of shelf items to be procured is estimated by the USAID to exceed the $250,000 level cited in Handbook 1, Supp. B, Chapter 18A4; therefore a source waiver must be issued. The project paper also includes a justification for raising the individual shelf item value from $5,000 to $10,000.

The USAID estimates that total Geographic Code 899 shelf item purchases will exceed 10 percent of the local currency element of the project; this waiver action will only cover the initial tranche being obligated in FY 1981.

For this type of waiver, Handbook 15 Chapter 2B6e(4) normally requires a valuation of cumulative waiver actions within the Mission and Regional Bureau for the current fiscal year. Due to the size and complexity of the Egypt program, this information cannot be obtained in time to meet the immediate needs of the project. However, since total waiver needs of this project will necessarily increase as additional local currency funds are obligated in subsequent fiscal years, the cumulative blanket waiver data can be supplied, if required, when this waiver is amended.

PRIMARY JUSTIFICATION: Miscellaneous off-shelf imported materials and equipment which have their origin in AID Geographic Code 899 countries are essential to the locally executed subprojects in this AID-financed decentralization project using local cost financing. Because of this, a source waiver is justified per Handbook 15, Chapter 2B6a(1)(g). (See project paper for additional details.)

CERTIFICATION: Exclusion of procurement from Free World countries other than the cooperating country and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the foreign assistance program.

AUTHORITY: Authority to waiver the provisions as requested herein is contained in IDCA Delegation of Authority No. 1. This waiver request is in accordance with policies and procedures cited in Handbook 1, Supplement B, Chapters 5B4d and 18A4b.

Clearances:

GC/NE:T. Carter _____ Date 9/4/81
SER/COM/NE:R. Looper _____ Date 14 Aug 81

ANNEX 2c

RECOMMENDATION FOR DOLLAR FUNDING OF LOCAL COSTS

The local currency cost of the proposed dollar funded project is $97.3 million or 94.5% of total project costs. Part of this cost, an estimated $13.9 million, represents maintenance and operation costs, personnel and other in-kind and project support contributions which will be provided by the GOE. The remaining $5.6 million represents an AID input of funds for technical services contracts. In this project, therefore, local cost financing represents a substantial cost. The U.S. contribution represents an additional real resource to the Egyptian economy and provides an incentive for the Egyptian Government to implement new initiatives that otherwise it might not be able to undertake. Accordingly, the Mission proposes to fund $83.4 million of the project's local costs.

The USAID attaches great importance to the necessity of providing the services it proposes to procure with the U.S. local currency expenditures. Given these circumstances and the current tight restrictions on expansion of the GOE budget, it would be unrealistic to require the GOE to provide a larger share of total project costs.

The source of the AID-provided local currency will be dollar purchases. At the present, the project availability of excess currency pounds is fully programmed for other activities. Due to the high level of AID activity in Egypt, excess currency cannot cover the needs for project costs and other purposes.

It is therefore, recommended that $83.4 million be allocated for dollar purchases of Egyptian pounds to help meet the local currency costs of the project, and that the above be used as a justification for the determination required under F.A.A. section 612(b) as set forth in the project Authorization of Funds.

ANNEX 2d

SECTION 611(a) REQUIREMENTS

Section 611(a) requires that no obligation of funds in excess of $100,000 may be made for a project where substantive technical or financial planning is required until engineering, financial, and other plans necessary to carry out such assistance and a reasonably firm estimate of cost to the United States Government providing such assistance have been completed.

In the present proposed project, the focus, for purpose of determining whether the requirements of Section 611(a) have been met, must be on the adequacy of the planning that is required to improve and expand a continuing capacity in local units to plan, organize, finance, implement and maintain locally chosen infrastructure projects and the methodologies of achieving these ends. The project paper sets forth in detail the background, analysis and chosen strategies that reflect the extensiveness of planning that has taken place in support of this activity and provides cost estimates along with analyses of those data.

The NUS project currently deliniates between projects of less than LE 60,000 and projects in excess of that amount. Each project in excess of LE 60,000 must be reviewed by USAID or its technical representative concerning appropriateness of design and cost. Although the subprojects themselves will require utilization of some $74 million they have not as yet been specifically identified past the first year, and therefore no specific analysis of individual subprojects can be made prior to the obligation.

The 611(a) inquiry will regard to the subprojects must, therefore, address the issue of whether adequate planning has been done to establish a system under which the subproject aspect will be carried out. Ongoing activity has established procedures under which the NUS project will be carried out. Estimates made by field studies of the first year of the NUS operation in governorates have been provided.

ANNEX 2e

CERTIFICATION PURSUANT TO SECTION 611 (e)
OF FAA 1961 AS AMENDED

I, Donald S. Brown, Director, the principal officer of the Agency for International Development in Egypt, having taken into account, among other issues, the maintenance and utilization of projects in Egypt previously financed or assisted by the United States and technical assistance and training planned under this Project do hereby certify that in my judgement Egypt has both the financial capability and the human resources to effectively install and utilize the capital assistance to be provide in the participating Governorates under the Neighborhood Urban Services Project.

Donald S. Brown
Director

NEIGHBORHOOD URBAN SERVICES
LOG FRAME

PROGRAM GOAL	MEASURES OF GOAL ACHIEVEMENT	MEANS OF VERIFICATION	ASSUMPTIONS CONCERNING LONG-TERM VALUE OF PROJECT
Contribute to an improved quality of life for the urban poor of Greater Cairo and Alexandria in a way that advances governmental decentralization.	Improvement in health, safety and welfare of an increasingly large number of the urban poor.	1. Local Government and PVO needs assessments. 2. T.A. contractor's records. 3. Records of neighborhood health, school, and social services centers. 4. Longtudinal sample surveys.	1. GOE's ability to implement current social equity policy continues. 2. Existing urban neighborhood conditions do not catastrophically deteriorate. 3. GOE actively pursues Governmental decentralization policy objective.
PROJECT PURPOSE	**EOPS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS RELATED TO PURPOSE**
Expand and strengthen institutional capabilities in Greater Cairo and Alexandria to express and respond to felt unmet needs at the lowest responsible level.	1. Increasing number of funded district level program budgets based on priorities by the district from an increasingly larger set of neighborhood demands. 2. 15 districts and 4 governorates implementing up to 25% larger programs within budgets and alloted times that provide neighborhoods with sustained public services and infrastructure. 3. More effective responsive activities by PVOs.	1. a. Comparison of NUS and local government project and program data with past project/program data. b. T.A. contractor records. c. Minutes of observations of local councils. 2. a. Same as 1a,b,c b. Government budget and planning documents. c. Special/regular evaluations. 3. a. Same as 1a,b,c and 2c applied to PVOs. b. MSA records c. Government and PVO needs assessment records. d. Longtudinal sample survey sirveus.	1. GOE and USAID use periodic evaluation results as basis on which to mutually agree on modification and improvement of project design. 2. Officials involved in project are dedicated to improved organizational effectiveness and organizations are not excessively burdened with unneeded personnel. 3. Beneficiaries continue to express needs in ways that elicit positive response. 4. PVO activities continue to be sanctioned/supported by GOE.

mh.

OUTPUTS	MAGNITUDE OF OUTPUTS	MEANS OF VERIFICATION	ASSUMPTIONS FOR ACHIEVING OUTPUTS
1. Sustained neighborhood public services and infrastructure serving the urban poor.	1.a. Almost 900 public services or infrastructure facilities being operated & maintained on a sustained basis serving large numbers of low-income neighborhood beneficiaries. 1.b. Over 2500 activities being implemented through PVO efforts.	1. a. GOE audit reports. b. Local Government, MSA PVO, and other GOE project records. c. T.A. contractor records d. Regular and special evaluation.	1. Contractor and force account capability exists to carry out sub-project activities.
2. Consistent application of effective systems to identify needs, assess alternative solutions, plan, execute, manage, and maintain public services and infrastructure.	2. 4 Governorates, 15 districts and 300 PVOs effectively using systematic public administration fiscal/management procedures.	2. Same as 1a,b,c and d.	2. Governorates and districts will assign required staffing to execute project.
3. Strengthened cadre of trained and qualified local government and PVO personnel using the systems in 2 above.	3.a. Up to 400 individuals classroom trained in public adminstration/management. b. Up to 1800 individuals with improved acquired skills and knowledge gained through project out.	3. a. Same as 1a, b,c, and d. b. Examination of training materials, trainers, trainees.	3. Governorates and districts will make eligible personnel available for training and hold turnovers of trained personnel to acceptable minimum.
4. Recognition by significant fraction of population in Greater Cairo and Alexandria of GOE's concern for their health, safety and welfare.	4. Increasing awareness and approval by urban population of government and PVO activities to address local needs.	4. a. Longitudinal sample surveys. b. Records of office of complaints. c. T.A. contractor records for pre and past-project assessment and local peoples' councils.	4. GOE will publicize sub-project activities.
5. Discernible advancement toward the GOE's policy objective of governmental decentralization.	5.a. Increased budget expenditures at district level b. Increased project implementation responsibility at district level. c. Increasingly larger number of local decisions being made by districts without refering to Governorate.	5. a. Budgets and plans of local Governments, MSA central ministries, PVOs. b. Regulation and orders higher Governments send to lower ones. c. Project files. d. Personal interviews with officials.	

mh.

LOG FRAME CONT'D

INPUTS	IMPLEMENTATION TARGET	MEANS OF VERIFICATION
USAID:		USAID:
1. Program funding for sub-projects.	1. $ 63.0 million	Project manager files; T.A. Contractor records: disbursement records of USAID Controller; GOE Letters of authorization; GOE bank account records.
2. Technical Assistance:	2. $ 8.8 million	
a. Public admin./mgt. advisory.	($ 7.3 million)	
b. Training.	($ 0.8 million)	
c. Evaluation/Monitoring.	($ 0.7 million)	
3. PVO setaside	3. $ 11.4 million	
4. Inflation, Contingency	4. $ 5.8 million	GOE: GOE audit reports; T.A. contractor records; reviews of selected government and PVO records, estimates bids, final orders.
GOE:		
1. Project staffing for:		
a. IAC Secretariat.	1.) 6 persons	
b. Governorate.	) 8 persons	
c. Districts	)45 persons	
2. Funding for maintenance replacement, and other similar costs.	2. $ 6.3 million	
3. Land, rights of way, and other requirements such as licenses, permits and fees, incl.sub-project cost overruns.	3. $ 3.1 million	
4. Staffing support and members	4. $ 4.2 million	
5. Training support.	5. $ 0.3 million	

mh.

ANNEX 4

FINANCIAL PLAN

ACTIVITY FUNDING

Individual District Sub-Program Submission

In February, 1981, the Mission requested individual district submissions for initial sub-project proposals (in first year program form) in anticipation that they would provide a firm basis for project costing and refinement of AID funding needs. First year program proposals were received from participating districts in Cairo and in Alexandria. USAID's analysis of the submissions was helpful in determining program levels of AID funding for the various participating districts. The analysis also revealed significant composition differences among the submissions. The districts' initial submission of programs ranged from two to fifty sub-projects with the average cost of sub-project activities ranging from LE 2,800 to LE 103,800 per project. Tables 1 & 2 to this Annex provides a tabular analysis of the submissions, with the submissions themselves retained in Mission project files.

The Mission's analysis did not reveal any uniform reflection of need (e.g., comparative numbers of urban poor residents in the districts), nor did the submissions seem to be related to the relative administrative capacity of the districts. A variety of factors may have contributed to the disparate submissions. These are (1) original instructions for district preparation of program submissions were either unclear or misunderstood, (2) uncertainty as to sub-activity eligibility for USAID funding (3) possible recognition of the workload and financial burdens associated with carrying out the sub-projects and then subsequently operating and maintaining them, and (4) simply asking for considerably more in the hope of receiving a significant fraction of the funds available for allocation.

Despite these disparities the submissions clearly reiterated the demand for resources and assistance needed to accomplish a wide variety of infrastructural and social service activities in every district of Egypt's two major urban areas. Indeed, the submissions are an encouraging demonstration of a strengthened working relationship between AID, the Governorates and districts. The proposals have also been useful in providing USAID with a better understanding and a more tangible measure of local government capabilities. The Mission is confident that subsequent submissions will display greater overall quality and uniformnity.

USAID Response to the Need

Preliminary discussions concerning the development of the NUS project has elicited much enthusiasm and raised expectations among all levels of the GOE. Governorate and district officials have been particularly cooperative in providing data and information. They have expressed approval of the general project concept and are most anxious to begin sub-project activities in recognition and anticipation of the potential benefits than can accrue from successful prosecution of the project.

The Mission deems it prudent to capitalize on the enthusiasm and begin project implementation as soon as AID funding is authorized. Even though it would be prior to mobilization of the TA consulting contractor, the Mission believes it to be in the best interests of the project, as well as the Government of Egypt and the U.S., to begin sub-project activities immediately in order to maintain the project's positive forward momentum and demonstrate the U.S. Government's tangible project support.

First Partial Year Program Funding

It is expected that AID funds will be authorized before the end of FY 1981 (Sept.30, 1981) and that the GOE will be able to rapidly satisfy conditions precedent to initial disbursement. With no unusual delays, AID project funds could be available for sub-project activity financing during the latter part (6-8 months) of the GOE's FY 81/82.

During that same period the involved Governorates and districts will also be preparing their FY 82/83 program submissions for NUS funding. An intensive USAID study by Consultant Ahmed Foda of the financial and administrative processes and capabilities of the concerned implementing districts and Governorates concludes that capacity exists to undertake considerably more program development and implementation.

The Mission has determined that a prudent aproach to implementation, particularly the initial disbursement of funds, for sub-project programs in the first (partial) fiscal year is: (a) relative need, as reflected by urban poor population distributions, (b) USAID overview assessments of the capacities of the participating districts to effectively prosecute programs of sub-project activities, and (c) funding levels required to provide sufficient sub-project activity within the districts to achieve appreciable impact. A minimum allocation will be funds sufficient to undertake the equivalent of two sub-project activities at the maximum

sub-project cost of LE 50,000 (above which the district must seek approval from the Governorate for expenditures from the Account for Services and Local Development) ranging to the equivalent of ten maximum cost sub-project activities.

The LE 3,050,000 of first year AID funding is only half (49%) of the amount requested by the 11 districts submitting their program proposals to the Mission. The following table summarizes this first partial year AID funding by districts:

Neighbourhood Urban Service Project
Cairo and Alexandria Project Funding

	Lower-Status Population(a)		USAID 1st Yr Fund.
Cairo:	000	Percent	LE000
North	780	25%	500
East	683	22%	440
South	562	18%	360
Helwan	457	14%	280
Central	407	13%	260
West	215	7%	150 (d)
Heliopolis	63	2%	100 (d)
Sub-Total	3,167	100%	2,090 (e)
Alexandria:			
Central	(b)	35%	330
West Ameria(c)		32%	310
East		33%	320
Sub-Total		100%	960
Total			3,050

a. Based on estimates by Westinghouse for the Urban Health Delivery Project (263-0065). Population estimates are for 1980.

b. Not available, Camp, Dresser & McKee's Alexandria Waste Water Master Plan provides qualitative judgments of the socio-economic

composition of different neighborhoods. They suggest that the 3 districts have approximately the same proportions of lower-status families, and, therefore, the districts' 1980 population estimates are used for allocation purposes.

c. The single District Chief serving both districts submitted a combined program proposal.

d. A strict allocation of funds based on lower-status population percentages would support too little program activities to have any appreciable beneficial impact on the two districts. Therefore, the West District was allocated funds sufficient to support the equivalent of 3 maximum cost (LE 50,000) sub-project activities. Heliopolis was assigned two such sub-projects.

e. Cairo had 69% of the two-Governorate estimated 1980 population total of 8 million. Cairo was allocated 69% of the first-year AID funds.

LOP Sub-Project Program Funding

Subsequent funding levels will be based on a wider consideration of need and demonstrated implementation capacity. Benefiting from ongoing experience with NUS program formulation and execution, the TA contractor will help the districts analyze and package sub-projects and formulate programs. Each succeeding year of the NUS project will see a higher level of sophistication, accuracy and equitability applied to allocating individual district program funding levels. The Mission estimates sub-project activity allocations over LOP to be:

Year	1 (Partial)	2	3	4	5	Total
No. of participating districts	11	15	15	15	15	15
Equivalent of No.of Maximum Cost (LE50,000) Sub-projects	61	154	231	231	210	887
Annual Program Funding (MM LE)	3.05	7.70	11.55	11.55	10.50	44.35

PVO Project Funding

The Mission has adopted the PVO consultant's recommendation to provide initial funding for PVO activities at the fairly modest LE 1 million ($1.42 million) level, build-up rapidly in the second project year to over double the initial amount, and then phase out AID contributions at the entry level of LE 1 million in the fifth and final year of the project. The overall LE 8 million ($11.36 million) recommended by the consultant (see Annex 6) for PVO activities has been distributed over the 5-year LOP as follows:

Year	1 (Partial)	2	3	4	5	Total
		(MM LE)				
PVO Project Activities	1.0	2.5	2.0	1.5	1.0	8.0

Technical Assistance and Evaluation

AID funds will cover the costs of two separate U.S. consulting contracts.

(a) Technical Assistance: A direct AID contract will be negotiated with a US consulting firm to provide the needed technical assistance to achieve project objectives. A technical assistance and training strategy (Annex 7) and a contractor scope of work (Annex 8) detail the expertise and consultant activities to be financed under this contract.

(b) Evaluation: Continual project evaluation, described in Section V of this paper, will be carried out by both expatriate and Egyptian consultants under direct contract to USAID.

Because of the duration of the project, inflation at 8% compounded annually has been applied to the cost estimates for the above contractual efforts, as follows:

Year	1	2	3	4	5	Total
		($ 000)				
1. Technical Assistance	1,285	1,929	1,642	1,442	1,040	7,338
2. Evaluation	336	77	78	77	134	702
Sub-Totals	1,621	2,006	1,720	1,519	1,174	8,040
Inflation @ 8%	---	160	286	395	423	1,264
TOTALS	1,621	2,166	2,006	1,914	1,597	$9,304

Training

An element essential to the achievement of NUS project objectives is training. Egyptians at all levels of project activity will receive training financed by the project. A level of effort is included in the scope of work of the technical assistance contractor to help meet training needs of NUS. This includes technical assistance in assessing training needs, developing and conducting in-country training programs, recommending candidates for training, and production of training manuals for use in local governments. The project will also fund a limited amount of U.S. training, primarily for the training of trainers, estimated for the LOP at possibly as many as 25 selected candidates for three months each at approximately $4,500/month. In-country training will encompass a broad spectrum of training as indicated in Annex 7, in which first phase training is detailed. Three such phases of training will occur during the LOP, with many participants receiving training in more than 1 course, at a budgeted cost of approximately LE 15/person/ day. This will cover trainee per diem, training materials, local instructors costs, rental of training facilities and equipment, and oter miscellaneous attendant costs. Total budgeted cost, therefore, will be:

7870 trainee days x 3 cycles x LE 15/trainee/day
= LE 354,150 or, say $500,000 (at $1.00 = LE 0.70).

The Mission foresees NUS training requirements to be heavier during the early years of the project and estimates LOP funding needs as follows:

Year	1	2	3	4	5	Total
			(US$ 000)			
1. U.S. Participant Training	54	108	108	41	27	338
2. In-Country training costs	30	175	175	100	20	500
Totals	84	283	283	141	47	838

Impact on Investment Budget

The initial observation for one measuring the impact of NUS on governorate budgets is that the NUS will have substantial impact. If the implementation of the NUS was left to the traditional governorate/contracting mode this observation would not be supportable. The 1979-1980/81 investment profile for Cairo and Alexandria is shown below.

CAIRO/ALEXANDRIA
INVESTMENT BUDGETS
1979,1980,1980/1981

	Cairo (000LE)			Alexandria (000LE)		
	1979	1980	1980/81	1979	1980	1980/81
Capital Expenditures	10,594.3	2,274.1	2,012.4	4,935.3	705.1	702.6
Investment projects	7,658.8	62,589.0	60,945.0	3,645.2	18,170.0	19,835.0
Total Capital	18,243.1	64,863.1	62,957.4	8,580.5	18,875.1	20,537.6

The NUS would not appear to have much impact on investment levels assuming that each district would develop NUS projects amounting to LE 500,000 - LE 1,000,000 per district. On the 1980/81 budgetary scale, this would amount to an additional 5-10 percent for Cairo and 10-20 percent for Alexandria.

Closer scrutiny of the governorate investment patterns supports the hypothesis that NUS will have substantial impact. From the above capital totals, exclusive of projects funded through the Ministry of

Housing and special projects such as the Cairo 6th of October bridge/freeway, the following picture would result:

CAIRO/ALEXANDRIA
ADJUSTED INVESTMENT BUDGETS
1979, 1980, 1980/1981

Total Capital	18,243.1	64,863.1	62,957.4	8,580.5	18,875.1	20,537.6
Less: Housing	-	30,000.0	27,000.0	-	7,700.0	8,070.0
Sp. Proj.		12,000.0	13,000.0	-	-	-
Capital Appropriation	18,243.1	22,863.1	22,957.4	8,580.5	11,175.1	12,467.6

On this basis, the same level of NUS funding per district as discussed above would result in an additional 15-30 percent for Cairo and Alexandria investment budgets. Internal estimates would place the NUS impact on local infrastructure and social services at a minimum of 50 percent in the governorates.

Regarding implementation at local levels, the impacts are much higher. Investment funds have traditionally been selected for the governorate level only. Project requests, on individual basis, or "piesplitting", represents the traditional allocation method to districts. A further reallocation to contractors for infrastructural projects and to associations (PVOs) for social projects ultimately results in the transfer of expenditures. The NUS has potentially great impact on districts by assuring them of development funds they have never had. As examples, each Cairo district received LE 30,000 in 1979 and LE 60,000 in 1980 for local development. Interviews with each district implied that in addition to these funds, less than LE 1,000,000 was administered through all the districts from all other revenue sources, (i.e. governorate, industrial funds, Ministry of Housing and Ministry of Social Affairs). Thus, in Cairo, initial funding requests under the NUS would amount to supplements in excess of five times the amount of previously administered annual funds.

The Alexandria districts each received approximately LE 45,000 and LE 100,000 respectively in 1979 and 1980 for local services. However, the districts received an additional 200-300 thousand Egyptian pounds from the Governorate budget for local improvements. While substantial, the impact on local units of NUS funds would not be as great as the Cairo district impact

OPERATING BUDGET IMPACT

An analysis of Cairo Governorate districts revealed that very little financial control for daily operating expenses is funded for the districts. The general pattern is shown below:

Cairo Governorate	1979 000 L.E.	%	1980 000 L.E.	%	1980/1981 000 L.E.	%
Salaries & Wages	70,011.9	100	79,032.2	100	81,482.0	100
Other Expenses	12,487.7	100	15,455.3	100	15,685.3	100
Total	82,499.6	100	94,487.5	100	97,167.3	100
(a) Governorate Administered						
Salaries	10,508.5	15	11,030.2	14	11,316.5	14
Other Expenses	6,952.1	56	8,942.5	58	8,320.0	53
Total	17,460.6	21	19,972.7	21	19,636.5	20
(b) District Administered						
Salaries	59,503.4	85	68,002.0	86	70,165.5	86
Other Expenses	5,535.6	44	6,512.8	42	7,365.3	47
Total	65,039.0	79	74,514.8	79	77,530.8	80

This data implies that the districts exercise substantial influence in the administration and management of current resources. A key factor, however, is the district responsibility to serve as the "budget coordinator" for the Ministries of Education and Health. These Ministries effectively manage their own affairs but for representation and communication purpose have established their field offices in at district level.

In 1980/81, exclusion of Education and Health from the Cairo and Alexandria budgets would result in the following expense distribution:

Total Governorate	Cairo 1980/81 000 L.E.	%	Alexandria 1980/81 000 L.E.	%
Salaries	20,558.0	100	8,976.1	100
Other Expenses	8,154.7	100	5,277.1	100
Total Expenses	28,712.7	100	14,253.2	100

Governorate Administered

Salaries	11,316.5	55	5,742.6	64
Other Expenses	7,610.6	93	4,181.1	79
Total Expenses	18,927.1	66	9,923.7	70

District Administered

Salaries	9,241.5	45	3,233.5	36
Other Expenses	544.1	07	1,096.0	21
Total Expenses	9,785.6	34	4,329.5	30

The establishment of a maintenance program for NUS projects would have greater impact in Cairo than in Alexandria where, with budgets one-half the size of Cairo budgets, more responsibility in operating efforts is apparent. Yet, it is clear that governorates have far more responsibility for carrying out operational aspects of the Egyptian Government than they have in making investment decisions. The GOE commitment to the decentralization effort is reflected in the 1980 increase in the share of the investment budget. However, governorates still have a long way to go in gaining control over their investment decisions.

Summary

A prior survey indicated that over the last several years governorates have been allocated 95% to 100% of the funding requested for wages and salaries; between 65% and 75% for operations and maintenance (and of this amount, most for operations), and between 10% and 30% of the amounts requested for investment.

The Governorate interviews indicated that the level of services was difficult to expand or improve given the cuts usually made in the operational budgets. Further, the low level of funding for maintenance also impacted negatively on services because of excessive down-time of equipment, and on the general level of efficiency of equipment that was working.

Central government budget authorities have stated in the past that investment allocations were primarily directed to the central line ministries. While this is changing, there is still a significant excess demand overall for investment fund allocation within the government. Central and local government authorities have both agreed that the only immediate way to affect the allocation process positively is by including additional resources in the governorates' budgets.

The annual average operating and maintenance costs for the type of investment goods expected to be procured would be less than 10% of capital value. This is divided equally between operating costs and maintenance costs. Thus, the increase in the expense budget in the following years may represent over a 100% increase in district operations and maintenance funding, which is a significant increase. This reflects the fact that consistently throughout the Egyptian Government, maintenance is underbudgeted. It also indicates the need, which this project addresses, to require the GOE to properly fund this area. While the project's impact does not appear to overburden either the governorate's ability to manage the investment or the ability to fund operating and maintenance requirements, it may well demand that more independence be given to districts in order to implement new investments and maintain prior investments. Any activity which will transmit action in resource allocations will contribute to satisfaction of the project purpose.

Table 1
NEIGHBORHOOD URBAN SERVICES PROJECT
DISTRICT SUBPROJECT SUBMISSION
1981 -1982 IN LE 000

	CAIRO								ALEXANDRIA				FIRST YEAR TOTAL
	NORTH	CENTRAL	EAST	WEST	HELWAN	HELIOPOLIS	SOUTH	TOTAL	EAST	CENTRAL	WEST	TOTAL	
PHYSICAL SERVICES													
Water, Sewer	70	-	1030	105	250	-	215	1670	50	-	440	490	2160
Clean-Up Garbage	10	-	-		20		35	65	29	39	38	106	171
Lighting	20	45	1	50	-	27	-	143	-	-	42	42	185
Subtotal	100	45	1031	155	270	27	250	1878	79	39	520	638	2516
Streets	250	100	560	200	20	150	100	1380	-	-	102.5	102.5	1482.5
Pedestrian Bridg.	150	-	240	-	-	-	80	470	-		-	-	470
Subtotal	400	100	800	200	20	150		1850	-	-	102.5	102.5	1952.5
TOTAL PHYSICAL	500	145	1831	355	290	177	430	3728	79	39	622.5	740.5	4468.5
SOCIAL/NON PHY.													
Educational													
School extension, Repair			300	21	64		20	405	32.5	39.3	-	71.8	476.8
Health-Facility	72				100			172					172
Clinics, Repairs			130	40.4	10			180.4	19	23.6		42.6	223
Recreation, Youth Clubs													
Playgrounds			40	10.5				50.5					50.5
Club Improvements			190	15.4	30			235.4	34.5	38.8		73.3	308.7
Parks					120			120					120
Social													
Child Care(Nursery)			50	14.4	29			93.4	26.7	1.7		28.4	121.8
Elderly Home					8			8					8
Subtotal	72	-	710	101.7	351	-	20	1264.7	112.7	103.4	-	216 .1	1480.80
Other Food Market					100		50	150					150
Training Center									76.6			76.6	76.6
TOTAL	572	145	2541	456.7	741	177	500	5142.7	268.3	142.4	622.5	1033.2	6175.9
No. of Projects	8	2	30	13	40	2	9	104	39	50	6	95	199
Ave Cost	71.5	72.5	84.7	35.1	18.5	88.5	55.5	49.4	6.8	2.8	103.8	10.9	31.0

Table 2
Neighborhood Urban Service Project
District Illustrative Sub-project Submissions

District	Activity	Est.Cost (000LE)
North C.	-Outpatient clinic addition	72
	-Street resurface/extention (2)	250
	-Neighborhood water/sewer	70
	-Lighting	20
	-Open space cleanup fund	10
	-Pedestrian overpasses (2)	150
Central C.	-Low income area street resurfacing to benefit 750,000 residents	100
	-Side street lighting (363 streets)	45
East C.	-8 water/sewer projects for informal and low area neighborhoods	1,030
	-Isbet Rashadi lighting	1
	-Streets for Abu Tasula,El Hesa,Isbet Nakel,Makadi,Monsour,Milina	560
	-4 pedestrian bridges	240
	-4 school repair/expansions	300
	-3 clinic renovations	130
	-Playground/youth club improvements	230
	-Dar el Tofi child care center	50
West C.	-Sewerage for Boulak	105
	-Side street lighting for 5 kisms	50
	-Kholaly and other street improvements	200
	-Bathrooms for 4 primary schools	21
	-Boulak, Khalig and 5 hospital improvements	40
	-Abdeen, Gazere playgrounds,drainage	26
	-Equipment for 9 nursery schools	14
Helwan C.	-water/sewer for 12 neighborhoods	250
	-Drainage, fill for refuse ponds	20
	-8 neighborhood streets	20
	-Renovations for 37 school classrooms	64
	-Emergency health additions	110
	-Improvements for 3 youth clubs	30
	-Park/playground development (2)	120
	-Improvements to 11 nurseries/elderly units	37
	-Food distribution center	100
Heliopolis	-Baastan Roads	150
	-Lights for Abd el Moslemin	27

Table 2 (Cont.)

District	Activity	Est. Cost (000LE)
East Alex.	-Sewerage pump trucks	50
	-Garbage bins and equipment	29
	-Improvements for 8 schools	33
	-Health center improvements	19
	-Youth, social improvements	35
	-Improvements to 4 child care centers	27
Central A.	-Garbage cleanup support	39
	-Supplies for 26 school units	39
	-Health unit expansion	24
	-Improvements for 7 youth centers and 7 charity groups	39
West Alex.	-Water, sewer, lighting,sidewalks,green areas and paving for Gamrouk,Laban,Karmouz,Kom el Shagafa,El Galah,El Noga,Ras Imbaba	623

ANNEX 5

PROGRAM DOCUMENTATION, COMMUNICATION FLOWS, AND PERMANENT RECORDS

A. Initial Documentation

Initial program documentation consists of standard forms for each district for submission through the governorates. The initial documentation is required as the TA contractor is not expected to be mobilized and in field units prior to initial disbursement of funds. AID will, therefore, utilize its resources to review initial subproject activity requests. Too, the initial submissions by the 10 districts revealed a necessity for standardization of input. Program documentation which should be standardized in each of the governorates consists of a Project Identificaion Form (I) and its cost sheets, and Activity Form (II) and a Project Implementation Form (III)

In the initial project identification and evaluation stage, districts would complete Form I with project cost estimates and forward them to the District Chairman for review and signature. Subsequently, they would be sent to the Governorate Planning and Follow-up Division and then to the Governor for final review and endorsement. This document, when completed, would provide the basis for rank ordering of project priorities according to merit. Final selection of projects originating from the district level would be made from those which have lowest cost/beneficiary and benefit the largest number of people.

Following receipt of subgrant funds, the District Chief in general meetings of the executive council, technical division chiefs, and Governorate would assign all required executive activity tasks to appropriate departments/agencies and complete Form II to serve as a basic tasking order. Project Implementation and Follow-up Form III would be prepared monthly by the District Executive Councils and forwarded to the elected chief and to the Governorate for review and signature. Form III, when completed after the monthly meetings, would also become a permanent part of the project file.

Complete files of all projects should be maintained at the District and Governorate. All district chiefs should meet every month with the District Council Chairmen to discuss project progress, surface implementation problems and find solutions where

required. The governor should also meet with all district chiefs to discuss the status of each project and to find solutions to problems that require governorate level intervention.

Financial reporting on the initial use of NUS funds will also be required. Reports will be made monthly to the governorate. At the governorate level the reports will be certified and sent to IAC and the USAID. They consist of:

(1) A monthly report by the districts which summarizes movement in their NUS account. This Form IV will be used in conjunction with the implementation summary.

(2) A monthly report (Form V) which accumulates projects and fund movements and estimates the final balances for each district.

These initial reports will provide a record of procurement, contractual obligations, disbursements and status of approved NUS subprojects for the TA contractor. The forms are displayed in this Annex.

B. Future Documentation

The TA consultant will have, as one responsibility, the standardization of subproject selection criteria and controls. Each year, these criteria and controls will be reviewed for modification based on experience and evaluation. For the first year of the project, the TA contractor will utilize the initial guidelines and forms described to (a) review against the first funding and (b) identify weakness for second year implementation.

C. Fiscal Procedures and Authorities

The fiscal procedures and level of decision making authority for district level projects provided for in Law 43 of 1979 will be used for the NUS in all of the Governorates as they are workable, simple and further the Government of Egypt's policy of fiscal and administrative decentralization.

D. Audits

Local Government audits are of the post-audit type rather than pre-audit. At the district level, payments are reviewed for correctness and conformity to contract; no pre-reviews are required at higher levels prior to disbursement. Audits are performed by (1) the Governorate Financial Unit, (2) the Ministry of Finance

Governorate Representative, and (3) the Central Organization for Accounts of the National State Council. Auditors review the budgets, all records of receipts and disbursements, invoices and vouchers and bank statements of all bank accounts to check for accounting errors, legality of disbursements and correctness of procedures followed. The Finance Unit at the Governorate prepares a monthly audit and provides continuous guidance to the District Financial Affairs Division in preparing and maintaining records.

The Ministry of Finance Representative conducts frequent and annual audits, and the General Organization for Accounts conducts an annual audit. Copies of all audits and financing are provided to the District and to the Governor. Any errors detected must be examined and corrected by the Governorate. In the event of discovered malfeasance, the District Council and Governorate must provide a full report and legal actions are taken against malefactors as approrpriate. Financial regulations governing contracts and procurements for the Arab Republic of Egypt are detailed in GOE Handbook on Procurement and Contracts prepared by USAID/Cairo. All financial records remain at the District level.

The system is well understood and used by the Councils of the Governorates and provides for expeditious disbursement of program funding, while offering an adequate system of safeguards and controls. Use of a separate account for AID-financed programs, offers the added advantage of promoting fiscal management autonomy at the District level.
The NUS project incorporates the following audit responsibilities:

- The IAC role includes the right and obligation to see that periodic audits are performed.

- The Governorate, through its Financial Unit, has the responsibility to audit and certify expenditures.

- USAID has the right of independent audit and review.

The application of the fiscal controls and auditing procedures outlined above with respect to the AID financed Neighborhood Urban Services program Special Account is entirely suitable for the fiscal administration of the NUS Program.

_____ GOVERNORATE

_____ DISTRICT

CERTIFICATION
USAID FUNDS FOR NEIGHBORHOOD PROJECTS

We, the undersigned, certify that funds for neighborhood services financed by USAID have been deposited as follows:

_____ AMOUNT

_____ BANK

_____ A/C NO.

_____ DATE

LOCAL COUNCIL CHAIRMAN	DISTRICT CHIEF	ACCOUNTING CHIEF
_____ NAME	_____ NAME	_____ NAME
_____ SIGNATURE	_____ SIGNATURE	_____ SIGNATURE

NOTE: Submit one original and two copies. The original ant two copies are to be delivered to the Governorate. The Governorate will keep the original and send a consolidated package for all its districts to the Interagency Committee and to USAID.

FORM 1

PROJECT IDENTIFICATION FORM

DISTRICT OF:

NEIGHBORHOOD URBAN SERVICES PROJECT

DESCRIPTION OF PROJECT AND BASIS FOR ESTIMATING BENEFITS AND BENEFICIARIES	COST/ BENEFICIARY	ESTIMATE OF BENEFITS	INITIAL COST ESTIMATE	ESTIMATED LIFE OF PROJECT RESULTS	ANNUAL BENEFICIARIES	NEIGHBORHOOD AND LOCATION	PROJECT AND IDENTIFICATION NUMBER

APPROVED BY

(SIGNATURE) LOCAL COUNCIL CHAIRMAN

(SIGNATURE)

REVIEWED BY DISTRICT CHIEF

(SIGNATURE)

(SIGNATURE)

PREPARED BY DISTRICT PLANNING UNIT

DISTRICT TECHNICAL UNIT

ATTACHMENT TO FORM 1

DISTRICT OF:

NEIGHBORHOOD URBAN SERVICES PROJECT.

INITIAL COST ESTIMATE SUMMARY

PROJECT AND IDENT. NO:

TOTAL COST	COST PER UNIT	UNIT OF MEASUREMENT	ITEM DESCRIPTION

REVIEWED BY:

GOVERNOR PROJECT ASSISTANT

PREPARED BY:

;DISTRICT TECHNICAL UNIT

APPROVED BY:

(DISTRICT CHIEF)

(COUNCIL CHAIRMAN)

FORM 2

ACTIVITY SUMMARY

NEIGHBORHOOD URBAN SERVICES PROJECTS

CONTRACTOR	ACTUAL WORK DATE	MOBILI-ZATION DATE	DATE OF AWARD	EVALUA-TION COMPLET-ED	EVALUA-TION COMPLE-TION DATE	BID DUE DATE	BID ISSUE DATE	DATE COM-PLETED	DUE DATE FOR COMPLE-TION	DATE RESPON-SIBILITY GIVEN	ORGANIZATIONS RESPONSIBLE FOR DOCUMENTS AND SPECIFICATIONS	LOCATION	PROJECT AND IDENTIFICA-TION NUMBER

(GOVERNOR PROJECT ASSISTANT

(DISTRICT CHIEF)

(DISTRICT COUNCIL CHAIRMAN)

(RESPONSIBLE TECHNICAL CHIEF)

(PLANNING AND FOLLOW-UP CHIEF)

SIGNED

FORM 3

MONTHLY IMPLEMENTATION SUMMARY

DISTRICT OF:

NEIGHBORHOOD URBAN SERVICE PROJECTS

ACTIONS AND COMMENTS	RESPONSIBLE SUPERVISOR	TOTAL DIS-BURSEMENTS	DISBURSE-MENT THIS MONTH	% OF WORK COMPLETED TO DATE	% OF WORK COMPLETED THIS MONTH	PLANNED COM-PLETION THIS MONTH (%)	PLANNED COMPLETION DATE	DATE MOBILIZED	TOTAL BUDGETED COST	PROJECT AND IDENTIFICA-TION NUMBER

SIGNED

(GOVERNOR PROJECT ASSISTANT

(DISTRICT CHIEF)
(DISTRICT COUNCIL CHAIRMAN)

(RESPONSIBLE TECHNICAL CHIEF)
(PLANNING AND FOLLOW-UP CHIEF)

FORM 4

_____GOVERNORATE

_____DISTRICT

REPORT NO._____
ON USAID PROJECT ACCOUNT MOVEMENT
FOR NEIGHBORHOOD URBAN SERVICES

_____:YEAR _____MONTH

_____OPENING BALANCE

_____DEPOSITS

_____FUNDS AVAILABLE

_____DISBURSEMENTS

_____CLOSING BALANCE

LOCAL COUNCIL CHAIRMAN	DISTRICT CHIEF	ACCOUNTING CHIEF
_____	_____	_____
NAME	NAME	NAME
_____	_____	_____
SIGNATURE	SIGNATURE	SIGNATURE

WE CERTIFY THAT THE ABOVE ACCURATELY REFLECTS THE BALANCE AND MOVEMENT OF USAID FUNDS AND THAT THE FUNDS HAVE BEEN USED FOR NO OTHER PURPOSE THAN TO IMPLEMENT ELIGIBLE ACTIVITIES.

FORM 5

_____GOVERNORATE

REPORT NO.
USAID PROJECT STATUS
NEIGHBORHOOD URBAN SERVICES

_____YEAR_____MONTH

ESTIMATED FINAL FUND REQUIREMENT	FUNDS		NO. OF PROJECTS		DISTRICT
	DISBURSED	ALLOTED	COMPLETED	STARTED	

GOVERNOR

_____
NAME

_____
SIGNATURE

SECRETARY GENERAL

_____
NAME

_____
SIGNATURE

GOVERNORATE CONTROLLER

_____
NAME

_____
SIGNATURE

TECHNICAL HEAD

_____
NAME

_____
SIGNATURE

WE CERTIFY THAT THE FINANCIAL AND IMPLEMENTATION ACTIVITIES MENTIONED IN THE ENCLOSED DOCUMENTS HAVE BEEN REVIEWED AND ACCURATELY REFLECT THE ACCOUNTS OF USAID FUNDED ACTIVITIES.

ANNEX 6

PRIVATE AND VOLUNTARY ORGANIZATIONS

A 1976 publication of the Ministry of Social Affairs states "Volunteering for public service individually or through groups or organizations has been a feature of Egyptian Society for thousands of years.

In the past three decades this tradition has been reflected in a veritable explosion of voluntary associations. In Cairo alone there are now some 2700 such associations registered with the Ministry of Social Affairs and in Alexandria there are over 600.

The law defines eleven fields of activity in which voluntary associations may work, but in practice these are broadly interpreted so that almost any benevolent purpose may be pursued:

- Maternity and child services
- Family welfare
- Social and financial assistance
- Care of the aged
- Care of the handicapped and disabled
- Educational, cultural and religious services
- Local community development
- Organization and administration
- Care of prisoners and their families
- Family planning
- International friendship

The actual and potentional contributions of voluntary associations in Egypt are recognized and highly regarded. They are permitted to raise money through membership dues, public solicitation, fund-raising events and the sale of goods produced. They also have access to public money through grants from the Ministry of Social Affairs and the Local Development Services Fund controlled by the governorate. Clearly, voluntary associations are a viable means of advancing the goals of the NUS.

Voluntary associations in Egypt have a number of weaknesses and operate under several constraints. However, they do function largely at the neighborhood level where they are able to

identify the real needs of people and apply resources directly to a problem with considerable flexibility and minimal bureaucratic delays and procedures thereby achieving a significant impact with relatively small sums of money.

THE NATURE OF VOLUNTARY ASSOCIATIONS IN EGYPT.

Many voluntary associations are really profit making cooperatives. The better ones use the profits to advance their social objectives through projects to help the disadvantaged. These cooperatives generally operate training facilities in carpentry, rug-weaving or sewing while some have nurseries or dyspensaries.

A large number of associations are single purpose entities such as funeral societies which assist bereaved families in making funeral arrangements. These don't generally engage in projects.

Voluntary associations in Egypt generally manifest a paternalistic, top-down style typical of welfare agencies rather than self-help efforts. Projects are initiated by leaders or government agencies with little actual involvement of the presumed beneficiaries in identifying needs and designing projects. While the purpose and intended result may be benevolent, this attitude does not foster the self-sufficiency ethic which is so important a part of the NUS.

There are many informal groupings of people trying to accomplish community goals who have not formalized their efforts through an organization. Frequently they are unaware of the advantages involved and often they don't know the procedure. Bringing these groups into the formal volunteer association community through organizational assistance and training in association governance would provide an expanded means of channelling assistance to those most in need such as the informal housing areas and would be in keeping with the institution building goals of the NUS and its self-help emphasis.

CONSTRAINTS TO GREATER VOLUNTEER ASSOCIATIONS EFFECTIVENESS.

Egyptian law encourages the organization of volunteer associations and the legal procedure of registration is relatively simple. However, as volunteer associations have

proliferated, the resources available for projects have not kept pace. The reputation for effectivessess earned by the voluntary associations has been achieved with very modest budgets.

In 1979 volunteer associations in Cairo spent L.E. 4,766,353 on their activities. The Ministry of Social Affairs provided L.E.1,200,000 of this in grants to 516 organizations for an average of just over L.E. 2300 per grant. In Alexandria the expenditures were L.E. 1,166,493 with the Ministry giving 373 associations grants of L.E. 288,632 for an average of about L.E. 800 per grant. In both cities about three quarters of the money spent came from sources other than the Ministry of Social Affairs.

A study of 11 volunteer associations by the Delta Business Services International, an Egyptian consulting firm, clearly indicates the capacity of such associations to absorbhigher levels of resources to increase services. A Social Soundness Analyses identified projects carried out by volunteer associations as the most effectively sustained among those examined. A further study by an American consulting firm, the Development GAP, made the point that in programs enjoying some success at the "bottom end" of the informal sector there is usually a direct outreach base within communities upon which the delivery of services can be established. The report goes on, "In most cases, the involvement of non-governmental organizatons constitutes a necessary component in these types of programs. Their autonomy from bureaucratic functions and policy, together with the flexibility and commitment that they may exhibit in responding to diverse needs as they arise in local communities, often makes them the most suitable entities for the sensitive task of initiating programs at this level."

The various studies of volunteer associations are unanimous in their conclusions about the effectiveness of the associations, but they also identify constraints to the further growth of that effectiveness:

1) Lack of management skills

2) Lack of programming skills designing projects to meet felt needs, predicting requirements, sustaining results and evaluation.

3) Lack of production skills including product design, standardization and quality control.

4) Lack of marketing skills to identify and exploit potential demand.

5) Inadequate skills in designing the curricula for training courses which would encourage official recognition of technical competence in a skill as a result of training received.

6) Bureaucratic delays in funding projects.

7) Inadequate funding and the propensity of government officials to spread limited resources by partial funding of projects which makes it difficult to carry through a project to completion in a reasonable time.

GOALS OF THE VOLUNTARY ASSOCIATION COMPONENT OF THE NUS.

The NUS seeks to promote the GOE policy of decentralization of governmental functions by encouraging the making of decisions at the local level and providing resources for carrying them out. A parallel effort will be carried out through the volunteer associations to strengthen the capacity of such associations to encourage self-help efforts at the local level to solve local problems.

Voluntary associations at the neighborhood level have targeted the poor in the community for their assistance. It is the purpose of the parallel effort to increase the long term self-sufficiency of volunteer associations by strengthening their management skills and their ability to generate income to carry on their work and expand the scope of their activities among the poor.

FINANCIAL AND TECHNICAL ASSISTANCE.

A sum of L.E. 8 million will be set aside for the private sector financial assistance. Of this amount about L.E. 6 million will approximate the present level of Ministry of Social Affairs grants to existing voluntary associations. Since the associations will still have to raise at least half their operating funds on their own it is unlikely that a dependency will be created. The amount is also large enough to permit the funding of projects in their entirety so as to demonstrate the greater impact that can be achieved in contrast to the present practice of partial funding.

The L.E. 2 million balance will used to develop new associations particularly in the informal housing areas. Technical assistance will be made available to train people in techniques of organization and governance of associations and emphasis will be placed on self help and the self sufficiency of the associations.

It is anticipated that most projects will be in the range of L.E. 1,000 to L.E. 5,000 but will not be limited to either figure. Small sums of money which can be made available rapidly and which are free of bureaucratic delays and procedures can have a very high impact in those areas normally outside the usual assistance channels.

In order to achieve this, but assure that Egyptian make the decisions on what projects to fund while still maintaining the necessary coordination with local government and the Ministry of Social Affairs, a PVO Grants Committee of three members will be formed for each district. Its membership will include a representative elected by the volunteer associations within the district registered with the Ministry, a member elected by the District Elected Council and the district representative of the Ministry of Socil Affairs. Decisions on grants will be made by this committee. The auditing of grants will be done by the Ministry of Social Affairs in the same way it audits its own grants to the associations.

The contractor will engage as a subcontractor an American Private Voluntary Organization to carry out the private sector component of the NUS. The sub-contractor will be a PVO with extensive practical experience in the development of PVOs in developing countries, a good track record in collaborative project implementation with volunteer organizations and experience in establishing small grants programs, developing funding criteria and administering such programs.

The sub-contractor will provide a long-term, language proficient consultant for a period of 3 years and also 12 person months of short term consultants in the fields of management, marketing, community development, training program curriculm development and in the technical fields appropriate to the activities of volunteer associations in Egypt. The short term consultants will be expartriates only if Egyptians with the requisite skills are unavailable.

A critically important element in the program will be the neighborhood activator in each district. This person will be trained by the subcontractor's long-term consultant who will supervise their activities. The activator will be responsible for involving the people of the community in identifying needs and designing projects to meet those needs as well as evaluating results. The activator will assist PVO's in preparing project documents and will also participate in the review of requests for project funding by the PVO Grants Committee. He will arrange for needed technical assistance to the volunteer associations at every step of the project process as well as to the committee. He will encourage volunteer participation in the project and promote the principle of volunteerism.

The subcontractor's long-term consultant will establish a bank account from which only project funds can be drawn. Upon being informed that the committee has approved a project the consultant will inform the Ministry of Social Affairs, the Chairman of the District Elected Council, the District Chief and the Governorate by letter that the project has been approved and that funds will be transferred to the association involved ten days after the date of the letter. The consultant will make the actual transfer of the funds at the date stipulated.

This mechanism assures the rapid and complete funding of projects and avoids delays. However, all decisions are made by Egyptians at the local level.

The associations also have access to other NUS funds. The activator may determine that a project more nearly matches the criteria for the local government component of the NUS. In that case be would present it to the District Elected Council for funding instead of the PVO Grants Committee. In Their case the activator will act as advocate for the project together with the representative of the association.

JOB DISCRIPTION FOR THE NEIGHBORHOOD ACTIVATOR

The neighborhood activator will undergo a training course to be designed and carried out by the subcontractor's long-term consultant to enable him to carry out the following duties:

1) Work with volunteer associations to strengthen their competence to determine needs and design programs which are responsive to those needs.

2) Work with unregistered groups particularly in the informal housing area to obtain registration so they are eligible for grants.

3) Assist volunteer associations in the preparation of project documentation for presentation to the PVO Grants Committtee and the Local Elected council.

4) Act as advocate before the PVO Grants Committee and the Local Elected Council together with the association representative to promote grant proposals.

5) Identify training needs of associations and report them to the consultant for action.

6) Seek to assure equity in the grant making process.

7) Encourage by evey means possible the involvement of beneficiaries in every stage of the project process particularly at the point of identifying problems to be addressed.

8) Evaluated projects

9) Promote the concept of volunteerism

10) Cooperate with other activators in both the private and public sectors to advance the project goals.

11) Assist PVOs in developing project proposals for direct submission to Ministry of Social Affairs.

ANNEX 7

Technical Assistance and Training

General

The emphasis of the Neighborhood Urban Services (NUS) Project is institution-building. The essense of institution-building is the improvement of people's capacity to deal with their problems, both individually and in groups. Capacity in turn is the ability to:

- Anticipate and influence change
- Make informed decisions
- Attract and absorb resources
- Manage resources to achieve objectives

What the NUS Project seeks to accomplish is to build organizational capacity to respond to basic needs. Some of the characteristics of organizational capacity are defined as:

- A purpose or purposes which are clearly understood by participants (and by beneficiaries)
- Information of sufficient quality and quantity to allow effective decision-making
- Ability in the organization to utilize that information and actually make decisions
- Processes for solving problems and implementing decisions
- Awarness of the environment outside the organization and the ability to respond to change and link up with other organizations as needed.

b. Institution-Building in the NUS Program

The NUS Project divides the institution-building process into two main components: technical assistance and training.

(1) Technical Assistance

Over a five year period the TA contractor team will provide assistance in city management, which will include planning, budgeting, engineering, social analysis, construction supervision and inspection, program management and project administration, to local officials, the technical and administrative staff of the governorates of these cities and their districts and to elected and appointed council members throughout the target governorates.
The purpose of the technical assistance is to improve and expand

local capacity to plan, manage, finance, implement, maintain and evaluate among competing needs in a manner responsive to public perceptions of these needs. The team will be limited to a relatively small number of expatriate personnel who are both technically qualified and are knowledgeable, and will be supported by Egyptian personnel. It will be necessary for the team to establish good lines of communication with Egyptian officials at all levels, as well as with AID, so as to be able to provide assistance in a collaborative style. The top priority areas are thought to be financing and budgeting and planning and engineering experience.

Specific assistance tasks to be undertaken by the project contractor will include the following:

Develop an Annual Work Plan as a basis for planning and monitoring progress of the team and counterparts;

Cooperate closely with GOE counterparts in implementing each area of the process of institution-building;

Design of improved administrative processes, systems and procedures at the governorate and district levels;

Strengthen the capacity at the local level to plan, implement and maintain infrastructure projects;

Increase organizational and technical capabilities of line staff to support and supervise local development initiative in planning, implementation and maintenance of NUS and other projects;

Assist in engineering aspects of subproject feasibility Studies, planning, design, implementation, maintenance and feasibility studies of local projects;

Assist in the development of baseline socio-economic planning and its incorporation into sub-project selection process;

Train local staff in systems and procedures to improve capacity of local government to act independently within the country's development goals;

Develop training manuals and guidelines in Arabic relating specifically to NUS projects, yet general enough to be used in non-NUS projects;

Monitor progress of the project and sub-projects to provide continuing feedback into the development of systems, procedures, manuals, and training;

Develop Egyptian professional management capabilities;

Assess district equipment needs and recommend specific approaches solution of district equipment requirements.

In order to carry out the above tasks, the contractor is asked to provide advisors in city management, local government management, public finance and budgeting, planning and programming, engineering, training, and a PVO advisor. A total level of effort of 288 expatriate man-months, plus 2,150 Egyptian man-months for long term professionals and support staff is contemplated. There is further provision for 60 man-months of short-term expatriate effort and 60 man-months of short-term Egyptian consulting services.

The Contractor would provide varying levels of assistance to the target governorates and their respective districts, allocating their time in accordance with a plan mutually agreed upon by the NUS counterparts, USAID and the contractor.

The contractor will also assist in the design and implementation of in-country training courses and seminars involving from 1000 to 2000 individuals and over 23,000 person-days of training.

(3). Technical Assistance and Decentralization

It is recognized that in Egypt the process of change is slow and the development of the skills and procedures required to make decentralization meaningful will take time.

Historically, the planning process in Egypt has been intimately linked to the budgeting process. In fact, district budgetary planning is really the only planning process at the local level. The governorate "allocates" its budget receipts to the districts in a manner it considers appropriate. The yearly manshur, or guidelines for budget preparation, is still sent to the Financial Department of each governorate, and this also serves as the basis for a similar governorate manshur which is sent to district councils. This set of guidelines is then used to draw up a yearly request for funding of public services, salaries, expenses and investments. One of the categories in this request covers new develpment projects. This account is the one in which the governorates exercise most financial control.

NUS funding is programed over a five year period. It is possible that the government institutions involved will return to levels currently sustainable by the government and to procedures and systems which existed prior to the start of the NUS project. It is important, therefore, to fully involve local units in the systems which may at end of project better decide between competing requirements andd better manage the existing resources at local levels. Only then can the project be considered effective.

(3) Technical Assistance and the Training Process

Capacity building assistance must begin with a thorough survey and analysis of the existing Egyptian administration systems and processes to allow the Contractor to gain the background required to develop suggestions for improvements and identification of training needs. The basic components of this review are described below.

(a) Identification of processes used at all levels of the NUS program. Through a review of all manuals, guidelines, memoranda and other existing docuementation as well as consultation with governorates, districts, public groups and line ministry officials. Baseline data will be collected.

(b) Analysis of these systems and procedures in order to accurately understand the present state of administrative and managerial processes, with their imperfections. Coordination with the governorate-level NUS staff to obtain their views as to the operation of the current systems and procedures as well as suggestions for improvement.

(c) Design of improvements in administrative and managerial processes, as well as development of suggestions for implementing those improvements. This will be carried out jointly by the expatriate local government advisors and their Egyptian assistants.

(d) Review of the recommended improvements with key officials and with selected associations.

(e) Revision to incorporate feedback. A draft set of NUS administrative guidelines will then be developed as a first working draft and presented into booklet form.

(f) A second review by key staff and by the governorates in time for incorporation of changes before the first scheduled training courses.

(g) The test of applicability will then come during the first phase of training. The guidelines will be used as training tools and their appropriateness would be determined by the feedback from participants. Further modifications suggested by trainees will be incorporated in future editions of manuals and guidelines.

(h) The Contractor will be able to determine how successful their guidelines are functioning through project implementation. It may be necessary to revise the manuals and guidelines and use during the second phase of training.

(k) Final review of the manual and guidelines will be followed by final printing

c. Training

The NUS projects includes a large training component. Contractors for the project should consider (a) Formal and informal training in the U.S. and (b) In-country vocational training, seminars, and on-the-job training.

The role of the contractor, for U.S. training, would include selection of candidates and identification of relevant program in the U.S. based upon perceived deficiencies. The training of foreign nationals outside their home country under this contract will be accomplished in accordance with the policies, allowances, guidance, and reporting requirements of AID Handbook 10 - Participant Training. Funds for U.S. training will be through the NUS technical assistance contract.

The contractor should take advantage of linkages with local organizations and facilities capable of providing in-country training. It will be the responsibility of the training advisors to assess training needs and organize courses to resolve them, in coordination with appropriate NUS counterparts.

The contractor will also design and organize local seminars as part of training. These seminars may include problem solving, and technical experiences. Seminar design would include close coordination with local counterparts in order to define needs. Coordination would also be maintained with other AID projects which are undertaking training of staffs in management, accounting, etc.

(1) On-the-Job Training

On-the-job training can take many forms. Contractors will be expected to use all of these training techniques on a regular basis.

- Joint participation in planning, selection, administration management implementation, maintenance and evaluation of subprojects.

- Individual training to deepen the technical knowledge of counterparts at all levels

- Sharing of printed material on specific subproject to provide background for counterparts.

Of all these on-the-job training techniques, joint participation in different aspects of the actual work is clearly the most important one. Many examples could be given for this training, but improvement in city management techniques and public participation process expansion are considered the most important. Other examples:

- Assisting the districts in refining the selected programs and in planning adequate staffing in appropriate technical fields for subproject needs (direction of technical manpower)

- Assisting governorate level officials in planning appropriate Annual Implementation Plans under the umbrella Multi-Year Plan to provide needed technical staff and maintenance for programs.

(2) Development of Training Manuals and Guidelines

This is of the highest priority within the framework of training programs. The development of training manuals and guidelines in Arabic will fill a gap that exists in local and intermediate government in the analysis, planning, administration, budgeting, technical engineering and socioeconomic aspects of local projects. It also provides continuity by the fact that it will leave in written form all the tasks and guidelines to properly continue what is taught and learned in the NUS experience. All the basic course material that is deemed successful, will be incorporated into the manuals along with examples of successful and exemplary subprojects.

(3) Development of Training Courses

Training courses are most beneficial for training purposes when they relate directly to the project at hand and are designed to fill a definite need. Therefore, analysis of the actual courses will have to wait until the T.A.team is in the field. Promotion of decentralization in the urban areas must include strengthening of talent and techniques in city management strategies take into consideration the political and financial realities whcih characterize the transition from central planning and authority.

The topics to be presented and the judicious scheduling of specific courses will necessarily have to wait until the team is fielded. The first phase of courses would occur in a staggered fashion with the orientation course obviously first and the other courses sequentially arranged to correspond with that part of the NUS process that each governorate is going through.

It is not envisioned that these courses will be given en masse. Rather, the training advisors will develop the most efficient design for implementation of the courses upon arrival in the field and corrdination with the appropriate counterparts. It may be possible to coordinate two neighboring governorates into one training course. Groups will have to be kept small to give as individualized attention as possible.

There appears to be a dearth of highly trained managers, accountants, and middle level personnel. They would all benefit from training. There seems to be a surplus of engineers, and training programs should be devised to retrain engineers to function as supervisors.

Each Technical assistance team members will be required to submit the following information to the Training Advisor.

- Target group for each activity by number of geographic location
- Minimum skills needed for participation.
- Specific gaps of knowledge to be improved by training.
- Type of skill transfer required and methodology (OTJ, course, trip, etc.)
- Timetable for training exercise

Based on this information and further suggestions from counterparts at all levels, appropriate training programs would be designed.

(4) Training Development

Initial training efforts should investigate the courses established by ORDEV* for the rural governorates. ORDEV programs have, with AID support, included NUS related components and, based on feedback ftraineesadditional technical/managerial components would be welcome.

One of ORDEV's programs, which is for village council chiefs, is geared toward planning, implementing and managing projects. The program lasts for two months and is held in Alexandria. One third of Egypt's village council chiefs participate in this program each year. Hence, ORDEV officials expect to complete the program in

three years. While this program has not been deliberately oriented NUS type management, its curriculum appears to be useful in this regard.

Another ORDEV training course is a three-day course for popular and executive council officials. The purpose of this course is to have participants better understand their roles, duties and legal obligations. In addition, the course is designed to promote a better working relationship between elected and appointed officials, as there has been some contention between these two groups. The curriculum emphasizes management, planning and problem solving (for which a case-study approach is used).

ORDEV is now in the process of considering appropriate curriculum for AID project support. The following subjects have been mentioned for possible inclusion: Planning, budgeting, revenue generation, evaluation and follow-up; public administration, group dynamics and cost-benefit analysis. Aditionally, technical training is needed for engineers and other technicians. It is noted that while the appointed executive council chiefs tend to be well educated, the elected popular council officials usually have limited educational backgrounds and stressed the importance of taking this into account when formulating training plans. The technical assistance consultant hired by AID for the NUS will initially work with the BVS consultants in developing such a program.

* Organization for the Development of the Egyptian Village.

NUS training should be integrated with other closely-related AID-funded training programs. Not only would this allow for efficient use of training resources, it would also promote the utilization of the benefits of BVS and NUS related training for improving management of <u>all</u> public service projects. This approach would be harmonious with capacity-building purposes.

PROPOSED FIRST PHASE OF TRAINING COURSES

Topic	Length	Participants: Governorate Level	Participants: District Level	Total
I. BASIC PROJECT ADMINISTRATION		4 units	14 units	
A. NUS Project Orientation and Process	one week	Governor NUS Coordinator Follow up unit (4) Planning/Budget Coordinators (2) Assembly Reps (3) 40	NUS Coordinator Follow up unit (4) Planning/Budget Coordinators (4) Local Council Reps (2) Maintenance Head (2) 168	208
B. Planning and Budgeting	one week	NUS Coordinator Planning/Budget Coordinator (2) 12	NUS Coordinator Planning/Budget Coordinators (4) District Council Reps (3) 112	124
C. Management of NUS Projects and General Administration	one week	NUS Coordinator Follow-up Unit (4) 20	NUS Coordinator Follow-up Unit (4) District Council (3) 112	132
D. Financial Administration	one week	NUS Coordinator (2 Planning/Budget Coordinator (2) 8	oordinator Planning/ Budget Coordinator (2) 42	50
II. TECHNICAL PROJECT ADMINISTRATION				
A. NUS Subproject Design	two weeks	Project Engineer (4) 16	Project Engineers (4) 56	72

B. Practical Engineering Concepts	two weeks	Project Engineers and other NUS engineers (6) 24	Project Engineers and other NUS engineers (8 112	136
C. Project Analysis-Cost Benefit Socio-economic	two weeks	Project Engineers (2) Coordinator (2) Planners (2) 24	Project Engineers (2) Coordinators (2) Planner (2) District Reps. (3) 126	150
D. Maintenance	two weeks	Project Engineers (2) Supervisors (6) 32	Project Engineers (4) Supervisors (6) 140	172 530

Totals: 1st Phase

5 days x 514 participant days of training = 2,570 participant days
10 days x 530 participant days of training = 5,300 participant days
1,044 participants 7,870 TOTAL participant days of training

It is expected that all the training courses listed above will be given three times over the LOP; many trainees will receive training in more than one of the courses.

ANNEX 8

I. Contrctor's Scope of Service

A. General

The Neighborhood Urban Services (NUS) program offers a unique opportunity for institutionalizing a common approach to planning and management for local development in Egypt. The NUS Contractor, in conjunction with other technical assistance/training contractors in Egypt engaged in similar decentralization activities (Basic Village Service training, Provincial City training) will strengthen decentralization by upgrading local capability.

As institutional development and standardization of the development process involving many disparate governmental agencies and organizations require a commonality of approach, the Contractor is to be engaged to work in four urban Governorates of Greater Cairo and Alexandria during the NUS implementation period. The Contractor will promote the standardization of planning and project execution processes.

The Contractor, working under the general direction of the USAID/Cairo project manager, will have extensive responsibility for the Neighborhood Urban Services project. The Contractor will prepare an Annual Work Plan outlining the goals and objectives for the year, the activities by which these goals and objectives will be accomplished, and a program of tasks to be carried out by the staff members of the Contractor. The work plan will also include a schedule of monitoring and evaluation activities to be conducted throughout the project year. The work plan will be approved by the USAID/Cairo project manager and be the basis on which the Contractor conducts operations with his Egyptian Government counterparts at central, governorate, and district levels.

In the description which follows, emphasis is placed upon the Contractor's activity as a leading element in project development, management and implementation. It should be clearly understood, however, that the Contractor's efforts shall be directed at assisting and advising the Egyptian entities and officials with whom the Contractor will work. Technical assistance, project direction, development of training programs, etc., must emerge as joint endeavors of the Contractor and Egyptian counterpart agencies.

B. Specific Tasks of the Contractor

The Contractor shall undertake performance of the following specific tasks related to the Neighborhood Urban Services project:

1. Identification, design and development of manuals (in Arabic and English bilingual form) of major project processes and systems consistent with the project purpose which contribute to building administrative, management and planning capacity in the Governorates and districts, and implementation of the sub-project infrastructure component.

This task is vitally important in creating a project structure, system and manageable process which will contribute to the capacity building feature of the NUS project. The Contractor's team shall identify the key processes for local government, and volunteer associations putting them in manual form and testing their applicability before using them as the guidielines of project administration and training texts for operation. These processes shall include, at least, the following:

(a) Guidelines for the selection, design and implementation of infrastructure sub-projects and association sub-projects.

(b) Definition of a simple, clear approval process by which identified projects are incorporated into the capital development plan and the annual improvement program of the governorate.

(c) Financial management procedures by which the funds allocated to sub-projects flow from the Interagency Advisory Committee to the districts, neighborhood associations, and private voluntary agencies.

(d) Design and process formats for a five year capital improvement plan for every district in the program as well as an annual improvement program upon which the annual allocation of AID funds will be based.

(e) Procedures and guidelines for the operation of the proposed sub-project maintenance funds.

2. Creation of a series of training programs, in English and Arabic, which cover the systems, processes and procedures resulting from Task 1, to be given to personnel in the governorates and districts, as well as the IAC/Secretariat staff. The training

courses must reflect practical project needs of the NUS program while at the same time be geared for general application to other development projects at the local level. All of the course material must be in Arabic, be directly relevant to the NUS and be administered in a way that will make it possible to incorporate feedback and promote revisions to update it.

It is anticipated that the focus of the training effort shall be on developing capable units at the district level. The intent in the early stages shall be to develop a nucleus at these levels.

Training shall consist of integrated formal lectures, seminars and guidance in practical on-the-job experience. The content of the training shall include instruction in cost and benefit quantification, methods of pricing, calculation of benefit cost ratios and financial and economic internal rates of return.

Following formal lectures and seminars, the training teams shall have trainees prepare evaluations of the all proposed NUS projects under the guidance of team members, as a practical learn-by-doing training exercise.

Concurrent with the training programs, the Contractor shall collect, collate and assemble basic socio-economic data and project unit cost information to be used in analysis of future projects. These data shall be organized in an easily retrievable manner according to subject headings. Training in data collection methods and statistical sampling shall also be provided as part of the program.

With respect to workshop layouts and procedures, the Contractor shall physically inspect each publicly-owned facility in the Government, recommend a layout plan and, after program approvals, develop comprehensive manuals for preventive maintenance scheduling for the types of equipment to be procured and workshop procedures to be followed.

The Contractor shall standardize project documentation to develop a degree of uniformity in project activity tasking and reporting. In this effort, the Contractor shall recommend that standard document formats be used throughout, so that formats can be institutionalized by the follow-up consulting teams.

Basic training programs contemplated under the NUS program are:

(a) Basic Project Administration

(1) Program Guidelines and Procedures
(2) Planning and Capital Budgeting
(3) Identification of Projects
(4) Program Management & Coordination
(5) Financial Procedures
(6) Record keeping & Reporting

(b) Technical Project Administration

(1) Project Analysis and Justification
(2) Design of Infrastructure Projects
(3) Project Implementation
(4) Maintenance of Projects

3. Provision of Technical Assistance: The Contractor shall assist the governorates and districts in solving administrative and management problems, suggesting new formal and informal arrangements and systems, and designing systems for planning individual improvements. A parallel effort will be carried out through the volunteer associations to strengthen the capacity of such associations to encourage self help efforts at the local level to solve local problems.

(a) Sub-project Implementation Assistance

The Contractor's personnel should be divided into resident field teams, whose composition would vary according to the needs of each governorate and district. Each team will work with the office of the Governor and with District Councils, Chiefs and entities such as District Planning and Follow-Up Departments. An expatriate coordinator with Egyptian counterparts will provide technical assistance in each of the governorates and districts. Excamples of such assistance :

(1) Expedite technical design work and management inputs to the NUS program through direct assistance & coordination efforts;

(2) Assist in reviewing engineering design work and provide supplementary input as required;

(3) Assist in the preparation of bid tender specifications and insure compatibility of procurement procedures with AID regulations for equipment to be procured in the United States;

(4) Assist in standardizing documentation for project identification and execution;

(5) Assist the governorates and districts to establish workshop layouts and equipment maintenance procedures, including those for preventive maintenance and overhaul of proposed new and existing equipment;

(6) Assist in preparing local environmental assessments for approved NUS projects;

(7) Monitor all phases of program execution including, but not limited to, bid tendering, awards, contracting, project implementation, funding disbursements and the furnishing of periodic reports of same to the Governors, IAC and the USAID;

(8) Establish a data bank at governorate and district level consisting of basic local economic and project cost data for use in future planning;

(9) Provide training to the district staffs in simple techniques of project evaluation and monitoring;

(b) PVO Assistance

The contractor will carry out the private sector component of the NUS. Extensive practical experience in the developoment of PVO's in developing countries, a good track record in collaborative project implementation with volunteer organizations and experience in establishing small grants programs, developing funding criteria and administering such programs is required.

The contractor will provide assistance in the fields of management, marketing, community development, training program curriculum development and in the technical fields appropriate to the activities of volunteer associations in Egypt. Short term consultants are anticipated and should be expetriates only if Egyptians with the requisite skills are unavailable.

A critically important element in the program will be the establishment of neighborhood activators in each district. These persons will be trained by the subcontractor's long term consultant who will supervise their activities. The activator will be responsible for involving the people of the community in identifying needs and designing projects to meet those neends as well as evaluating results. The activator will assist PVO's in preparing

project documents and will also participate in the review of requests for project funding by the PVO Grants Committee. He will arrange for needed technical assistance to the volunteer associations at every step of the project process as well as to the committee. He will encourage volunteer participation in the project and promote the principle of volunteerism.

The Technical Assistance Contractor will be required to administer an annually funded PVO set aside for approved PVO sub-project activities. Administration and disbursement of PVO funds will be a format agreed upon with USAID.

(c) Equipment Management Assistance

One element of the proposed assistance package centers on increasing the capability of districts to provide better services through improved equipment management. Most of the equipment will be vehicles, such as garbage collection equipment, pump trucks and emergency vehicles.

Prior investigations reveal that, in Cairo, the Governorate/District vehicles operable for municipal service activity number, on the average, about one-half of the physical inventory. Field trips to district/governorate maintenance facilities have shown deficiencies in management manpower, facilities, and moral. Expert evaluation of the maintenance capabilities of Cairo, Alexandria, and the urban districts of Giza and Qaliubiya is required.

The Contractor shall investigate the current status of Governorate/district equipment management in Cairo and Alexandria, with brief scrutiny of similar activity in Giza and Qaliubiya. Based upon the investigation, the Contractor shall design and schedule an improved equipment management system which will help insure utilization and maintenance of existing and/or new vehicular equipment.

In the development of the recommendations, the Contractor should address options to present maintenance practices. These options might include partial or total maintenance by the private sector or by public sector organizations. All options must include recommendations regarding related training and technical assistance the time periods involved.

(1) System Requirements. The Contractor shall conduct a constructive review of the existing equipment management policies, procedures, methods, organization, staffing, and shop facilities of the Cairo Governorate and its districts, the Alexandria Governorate and its districts, and the urban districts of Giza and Qaliubiya.

The Contractor shall prepare a report presenting his findings, recommendations, and a schedule for formulation and establishment of appropriate system improvements. A preliminary report responsive to the tasks listed below will be submitted to AID for approval three months after commencement of this activity.

(2) Organization. The Contractor shall examine the objectives, policies and functions of the existing equipment management system with respect to functional needs. The Contractor shall review the present Governorate/district organizational structure with respect to: (a) ensuring that functions required for provision of municipal services are being performed, and (b) ensuring that the organizations properly delegate authority and responsibility, divide work into functional areas, facilitate coordination between districts, and permit the exercise of appropriate direction and control. The Contractor shall include his findings and recommend the organizational modifications required in his report.

(3) Staffing. Based on the recommended organizational structure, the Contractor shall recommend proper staffing patterns and controls for districts/Governorates in the equipment management areas. the Contractor shall recommend central/field staffing and descriptions, setting forth authority, responsibility and duties. The Contractor shall also comment on the sufficiency of existing staffs, identifying shortages and surpluses, and suggesting a multi-year staffing objective together with recommended methods for its implementation.

(4) Training Programs. The Contractor shall prepare recommendations concerning a training program consistent with the indicated staffing needs. This plan will include initial employee training and in-service provisions covering managerial, supervisory, technical and skills training, and will set forth estimates of the numbers of employees to be trained. The Contractor shall suggest a methodology for appropriate training in equipment operation and maintenance, to be conducted by the equipment manufacturer/suppliers, or others.

(5) Equipment Maintenance. The Contractor shall review existing procedures and methods concerning equipment maintenance and shall recommend an improved system for preventive maintenance, including daily operator maintenance, scheduled (standard interval) maintenance and unscheduled maintenance emanating from operators' trouble reports. The Contractor shall also comment on maintenance and servicing reporting procedures currently in use and recommend appropriate maintenance and servicing reporting procedures.

(6) Repair Shops. The Contractor shall review the location, condition and general layouts of district/Governorate maintenance workshops, warehouses and storage yards with respect to appropriatness of their respective functions and service area. This includes evaluation of the general condition and adequacy of existing machine and hand tools, maintenance and repair equipment and diagnostic equipment. The Contractor shall recommend improved shop procedures and methods, revised shop layouts and additional equipment and tool requurements, as necessary, along with estimated order-of-magnitude costs.

(7) Warehouse Practice. The Contractor shall review and analyze the current system and procedures used for the receipt, storage, inventory control and issuance of spare parts and other consumables. The Contractor shall indicate whether a practical, improved system could be implemented. If so, that system should be outlined in general along with the order-of-magnitude cost for its implementation. The system shall include parts, location, stock status, proper reorder with respect to time and size of order. The Contractor shall concurrently review procurement practices related to the supply of spare parts and recommend improvements, as needed.

(8) Other Equipment Policies. The Contractor shall prepare and submit recommendations concerning other equipment management aspects including, but not limited to, the following: Equipment standardization, equipment replacement, dispatching and routing of vehicles, motor pool administration, major component exchange and rebuild.

(9) Strategies. During the performance of the review and in developing recommendations, the Contractor shall maintain an awareness of the political, bureaucratic, and economic realities which influence local practices. In recognition of these factors, the Contractor shall consider their implications for time schedules, coordination, procurement practices, training, and budgetary resources. Examples of concerns which should be addressed are items such as the effect that improved routing and maintenance may have on equipment usage and the need for additional equipment; the impact of budgetary resources if equipment were maintained in the private sector; and order-of-magnitude requirements for upgrading facilities, annual repairs, and spare parts inventory.

(4) Other Responsibilities.

(i) The Contractor shall coordinate closely with the activities underway in the Cairo Governorate waste program to avoid duplication of effort.

(ii) The Contractor shall recommend an appropriate level of coordination to accomplish general improvements in service provision.

(iii) The Contractor shall incorporate findings of the districts maintenance capability into a program development of the best solid waste public/private sector combination. AID will use the findings of this activity to determine what further activities, if any, are warranted for AID resources.

4. Monitoring. The Contractor shall monitor progress of the project and the sub-projects through establishment of specific and measurable goals in sub-project implementation and achievement of improved capacity of the participating units, and through the devising of a set of key indicators and reporting procedures by which such progress can be gauged. The Contractor shall prepare periodic assessments of progress, problems and proposed solutions.

5. Reporting Requirements. The Contractor will be responsible for a wide range of project monitoring and in-house evaluation reports which will be established in the Contractor's Annual Work Plan, designed to :

a. Track inputs and outputs against the work plan.
b. Measure the impact of the project strategy.
c. Measure capacity building efforts.
d. Measure progress in sub-contract construction and effectiveness.
e. Identify current and upcoming problems.
f. Diagnose problems and recommend solutions.

These reports will include but not be limited to:

a. Annual Work Plan
b. Quarterly Work Plan
c. Monthly Progress Reports (from field staff)
d. Quarterly Management Reports
e. Sub-Project Evaluations and Progress Reports
f. Annual Assessment of Work Plan
g. Others as required.

C. Estimated Level of efforts

1. Schedule of Personnel The Contract will provide for a mixture of long and short term consultancies and a balance between U.S. and Egyptian personnel over a 5 year period. The schedule of personnel requirements is set out in the following chart :

Contractor's Schedule of Personnel

	Long Term				Short Term	
	No.	U.S. Estimated Work Months	No	Egyptian Estimated Work Months	U.S. Estimated Work Months	Egyptian Estimated Work Months
Municipal Services Management	1	60	1	60		
Local Government Planning & Prog	1	60	2	100		
Local Government Finance & Budgeting	1	60	2	100		
Engineering Advisor	1	48	3	200	12*	24
PVO Advisor (Sub-Contract)	1	36	11	660	36	24
Training Advisor	1	24	3	150	12	12
Support Staff***			20	880		
TOTAL	6	288	42	2150		60

Note: No. = Number of long term consultants

*Solid Waste, maintenance program development, other engineering support
**PVO, association support and program development, socio-economic support
***District Coordinators, office management, etc.

2. Egyptian Consultants and Sub-Contractors. An important feature of this proposed contract is an increased use of Egyptian consultants and sub-contractors. Since the effort to establish decentralized local government in Egypt is expected to be long and difficult, local governments should have available a core of Egyptian professionals who can render advice and assistance as the responsibility of local government expands. Through this proposed contract, which provides for the development of Egyptian professional capacity, an important beginning will have been made to expand the consulting resources which local governments, can, in the future, rely upon.

3. Qualifications of Egyptian Personnel. While this RFP does not contain a detailed listing of the duties and qualifications for the professional Egyptian personnel, the offeror should attempt to parallel the qualifications of the Egyptian professionals with those of the U.S. long term professionals in so far as local conditions, professional status, training and experience make possible.

4. Location. In proposing personnel for the major positions described per U.S. long term advisor, it is important that the offeror realize and appreciate that each of the advisors will be expected to spend from up to 40% to 70% of the total time at the district levels. This will, of course, vary on the nature of the work being done and progress in the project itself. The Chief of Party will spend more of this time at the Governorate and Ministerial Committee level, particularly at the beginning of the contract, in order to arrange for the orderly assignment and instruction of the consultants under the contract and to establish regular channels of communication with the USAID project manager and pertinent GOE officials, and average about 40%of his time in the districts. Since the Chief of Party will also be one of the technical consultants, time will be of great importance in the successful discharge of that function as well. The remainder of the professional staff (both U.S. and Egyptian) can count on extended periods of work in the districts.

5. Term of Service for U.S. Long Term Advisors. Each long term advisor is assumed to serve five years in Egypt. The offeror may indicate in its work plan any anticipated deviations from this assumption including (a) replacement by Egyptian personnel at the end of two years or (b) replacement by another U.S. advisor at the end of two years. The offeror may submit an alternative approach to staffing in addition to a proposal which reflect the staffing levels indicated herein.

6. Designation of Chief of Party (COP). As noted in the position description USAID assumes that the offeror will choose as Chief of Party the person designated as the Municipal Services Management Advisor. The reason for this assumption is USAID's presumption that the person chosen as the Management Advisor will also have a demonstrated capacity in responsible city management assignments with a broader perspective in the operation of political and technical decisions. The offeror is nevertheless free to designate a Chief of Party from among the principal advisors. Specific justification for the choice should accompany the designation and should be detailed in the personnel resume submitted as part of the proposal.

7. Language Requirements of U.S. Long Term Advisors. With respect to the U.S. long term advisors, at least two advisors as well as the PVO specialist, will be required to demonstrate proficiency in Arabic (Egyptian, Eastern or Modern Standard Arabic) language.

While each job description shows an Arabic language requirement, the Contractor is free to designate which two positions will be filled by language-qualified personnel.

D. Other Responsibilities of the Contractor

1. Logistical Support. The Contractor will be responsible for all logistical support relative to the contract, including any procurement for equipment, vehicles, etc., authorized under the contract. This includes, as well, procurement of field team technician housing. The Contractor will also be responsible for the recruitment and support of such local staff as may be necessary.

Position Descriptions - U.S. Advisors

1. Municipal Services Management Advisor (Chief of Party)
2. Local Government Financing and Budgeting Specialist
3. Local Government Planning and Programming Specialist
4. Engineering and Socio Economic Advisors
5. Volunteer Association Specialist
6. Training Advisor

MUNICIPAL SERVICES MANAGEMENT ADVISOR (Chief of Party)

A. Duties

The person filling this position will provide manangement expertise related to the local government process, focusing primarily on the systems and procedures affecting service delivery at the governorate and district. The position will provide the chief consultancy on the project and shall, in addition, coordinate the role, effort and direction of the total consultancy effort under this contract. The person shall be concurrently the Contractor's Chief of Party. Duties shall, among others, include the following :

- Working in close and continuing association with the Egyptian Government counterparts at all levels, this specialist shall serve as the senior advisor/manager for that portion of the project effort undertaken by the Contractor.

- will be responsible for determining, scheduling and coordinating, with the advice of fellow consultants, USAID project manager and Egyptian counterparts, all the proposed inputs from USAID into the project.

- Will be the main link between the USAID project management and project operation, with managerial responsibility over the other members of the resident team, including short term consultants and all Egyptian staff.

- Will be directly responsible for operation of the sub-contracts for Egyptian professional and non-professional staff as provided for in the contract.

- Will focus on the ways and means by which overall local government management processes and systems can be improved, especially at the local level, to achieve both the immediate purpose of the NUS as well as the longer range goals of a working decentralized local government administration; shall advise the individual governorates, districts and villagles on the means by which such improvements can be effected.

LOCAL GOVERNMENT FINANCE AND BUDGETING SPECIALIST

A. Duties

The specialist will serve as the advisor on finance and budgeting for local governments with particular attention to the financial and budget procedures that affect the operation of the NUS project. Will advise on how best to improve these procedures. The specialist will advocate improvements in the overall financial and budgeting systems affecting local governments that will contribute to the decentralization of these local units. The specialist will :

- Work with governorates and districts to strengthen the financial system and budgeting network by which projects are funded and recommend improvements in the process in order that project allocations, dispersals and payments can be simplified and expedited.

- Devise an improved system consistent with local capacities and pilot test the manuals which contain the system details. (The manuals, after suitable testing and revision, will be used as both operational guidelines and teaching texts. These will be particularly applicable to the budget system, financial procedures and the management of the special deposit fund for maintenance, and will reflect compatibility when possible with similar procedures developed under the Basic Village Services project.)

- Work closely with the governors and coordinating agency in formulating suggestions for improvements and the implementation of approved changes in the present local government budget and finance system.

- Identify with elected bodies and advocate a program of improvements that will enable local governments to increase local revenues, share state-collected returns and improve collection procedures that will make possible greater local sharing of development costs.

- Serve as principal financial and budget advisor to the governorates and districts in the project in solving individual problems for which assistance has been requested.

LOCAL GOVERNMENT PLANNING AND PROGRAMMING SPECIALIST

A. Duties

The person filling this position will provide planning and programming expertise related particularly to the identification scheduling, justification and programming of sub-projects and the development of a system to sustain the planning process. An important long range outcome of this work is the adaptation of successful planning process of the NUS project to the whole of the local government planning setup with elected and appointed representatives. This specialist will :

- Work closely with officials in governorates and districts to identify the actual planning process now in use for selection, justification, et al, of projects.

- Devise an improved planning system that will incorporate a five year capital development plan and an annual implementation plan for the governorates and districts, appropriate to the needs of the neighborhoods and to the capacities of the local units to sustain the process.

- Develop and pilot test the manuals necessary to put the planning system into operation and provide a final manual to be used for both an operating guide and an in-service training text. This latter work is to be coordinated with the in-service training portion of the Basic Village Services project.

- Perform general guidance and advisory service to the governorates, districts and councils on planning and programming problems.

Work closely with responsible staffs in effecting clear, pricise, workable planning procedures that will reflect the decentralization of planning to the local units involved (appointed and elected) and the need for general reporting and review of the NUS project.

- Study and recommend additional improvement and projects aimed at improving the general planning and programming of local government activities consistent with the existing situation

LOCAL GOVERNMENT PLANNING AND PROGRAMMING SPECIALIST

A. Duties

The person filling this position will provide planning and programming expertise related particularly to the identification scheduling, justification and programming of sub-projects and the development of a system to sustain the planning process. An important long range outcome of this work is the adaptation of successful planning process of the NUS-project to the whole of the local government planning setup with elected and appointed representatives. This specialist will :

- Work closely with officials in governorates and districts to identify the actual planning process now in use for selection, justification, et al, of projects.

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Develop and pilot test the manuals necessary to put the planning system into operation and provide a final manual to be used for both an operating guide and an in-service training text. This latter work is to be coordinated with the in-service training portion of the Basic Village Services project.

Perform general guidance and advisory service to the governorates, districts and councils on planning and programming problems.

- Work closely with responsible staffs in effecting clear, precise, workable planning procedures that will reflect the decentralization of planning to the local units involved (appointed and elected) and the need for general reporting and review of the NUS project.

- Study and recommend additional improvements and projects aimed at improving the general planning and programming of local government activities consistent with the existing situation which reflects a growing need and capacity of these units.

ENGINEERING AND SOCIO ECONOMIC ADVISORS

A. Duties

The specialists in these positions will provide ongoing advisory service to the participating governorates and districts in the NUS on the technical, economic, engineering, and social features of the project identification, design and acceptance. In addition, the specialists will be responsible for the development of operating and training manuals for these aspects and will also advise on maintenance practices, solid waste collection and voluntary organization roles, producing training for these purposes. Illustrative duties are as follows :

- Work with the governorates, and districts in assessing capacities. Identify strengths, weaknesses and devise training programs, procedures, etc., to overcome the weaknesses and build upon the strengths.

Develop training programs and operating manuals, where feasible and practical, that will increase the capacity of local units to better approach the problems of decentralization capacity.

- Keep careful records of sub-projects done under the NUS, making periodic reports on project progress and problems.

- Serve as advisors and consultants to the governorates and districts on specific technical and social problems concerning the NUS sub-projects or which advise has been requested.

TRAINING ADVISOR

A. Duties

The duties of the training advisor will include the following:

- Discussions with local sub-contractors, and other government officials to assess and evaluate training needs.

- Field visits to local government institutions to evaluate training needs in light of NUS project needs and deventralization policy.

Design and implement appropriate training programs in conjunction with expatriate and local professional advisors to build skills where they are needed at local government levels, using manuals to be developed by advisors (Field training)

- Develop training manuals in Arabic in conjunction with advisors to convey in clear, concise procedures and operational principles, how to plan, select, design, implement, supervise and evaluate NUS sub-projects.

- Develop non-formal training programs to improve capacities and skills of local government staff (visits, encounters, workshops, etc).

Train local, sub-contracted professional trainers to carry out continuing on-the-job training programs, informal training, and the second phase of formal training.

- Assist in identifying personnel at the central and local government levels who would benefit from training in the United States and coordination with appropriate AID departments for specialized training.

VOLUNTEER ASSOCIATION SPECIALIST

A. Duties

The specialist on volunteer associations will serve as advisor to private sector volunteer associations. The specialist will provide technical assistance to strengthen the capacity of volunteer associations to develop and manage sub-projects, expand the scope of each association into informal housing areas and increase this self-sufficiency through more efficient production and marketing. The specialist will :

- Work with appropriate Egyptian and USAID officials to develop criteria for sub-projects to volunteer associations.

- Administer the sub-projects fund of the NUS for volunteer associations.

- Train the neighborhood activitors in community development, sub-project preparation and documentation, PVO organization and governance.

- Supervise the neighborhood activators.

- Advise the PVO Grants Committee on sub-project analysis and provide
Consultant services when requested.

- Together with the activators and in consultation with PVOs determine the need for consultants, the timing of consultations and prepare the scope of work for consultants and provide support.

- Participate in coordinating the private sector component with the local government sector of the NUS program including the contractor's personnel and Egyptian officials.

- Prepare a monthly report on volunteer association activities including sub-project progress for the contractor, sub-contractor, USAID and appropriate Egyptian officials.

- Develop a simple evaluation plan for sub-projects to track patterns as well as determine the impact of sub-projects.

ANNEX 9
SOCIAL SOUNDNESS ANALYSIS

NOTE: The materials in this annex are supplemented by consultant reports noted in the Background to the Project Paper and summarized in Section III Administrative and Implementation Analysis. The latter section presents a constraints analysis and should be considered a central part of the present social soundness analysis.

1. Beneficiaries

A World Bank report estimates that 30 per cent of Egyptian urban households in 1974-75 fell below the "absolute poverty line," in contrast to 35 per cent of the rural households. There are perhaps between 2.7 and 3.7 million residents of Greater Cairo and Alexandria below this line, and there are millions of others marginally above it.

If poverty refers to a family's ability to purchase essential goods and services, then income is, as used in the Bank's estimates, not a reliable indicator of poverty conditions in urban Egypt. There are vast areas within Cairo and Alexandria where essential services, a safe and healthy environment, and convenient access to needed services and resources can not be purchased at any price. Deprivations, resources, and poverty are spatially distributed in a way that yields a rich mosaic of differences among and within sections of the two urban areas.

On the basis of her analysis of 1960 census data, Janet Abu-Lughod concluded that Cairo is not a single homogeneous city but really consists of "thirteen major subcities...each of which contains a population distinctly different, on the average, from that inhabitating the adjacent zones. These differences in population characteristics are paralleled by differences in the physical appearance of the quarters, in the kinds of housing and shopping facilities available, and even in the dominant dress that adorns the inhabitants and perhaps symbolizes their belief systems." Analyses of Alexandria's census data indicate that this area is also richly spatially differentiated.

These analyses are based on fairly large-size census tracts. Other studies suggest considerable intra-tract heterogeneity in living conditions, life styles, social patterns, and cultural beliefs. This is true for the muhalla (an informal neighborhood of from 5000 to 30,000 population) and for the harah (alley), "an ecologically complete social unit with which people have strong identification," according to Nawal Nadim's study of a harah in Cairo. Her studies

led her to conclude that Cairo is "unusually heterogeneous ... characterized as a mosaic of diversities."

A two-tier system of government is superimposed on this rich diversity. In addition to the governorate, Cairo has seven quarters or districts ; Alexandria has four, but areas in both governorates differ significantly in population size, with the most populous one in Cairo being nearly five times as large as the smallest. A draft paper by the National Urban Policy Study reports that "these subdivisions do not reflect the historical, social, economic, and ecological characteristics of the various subsectors of the city."

Informed observers and limited data suggest that these districts differ in the services they provide neighborhoods. For example, World Bank estimates of the Physical Quality of Life Index for governorates indicate that Cairo has the second highest infant mortality rate in Egypt, suggesting that water and sanitation services are seriously deficient in certain areas. Other data indicate that there was less than one prenatal visit to Ministry of Health clinics per client in urban areas, in contrast to a higher but still low of 1.7 in rural areas, suggesting that some parts of the urban areas are not conveniently accessible to these health services. Reports of conditions in the City of the Dead and in large areas of informal housing in Cairo indicate a lack of access to government services and infrastructure provided at least on a minimal level to other parts of the city.

To summarize, although poverty is widespread in both Greater Cairo and Alexandria, it is not distributed uniformly throughout either area. Neighborhoods differ in the pattern of their deprivations, the social practices and cultural orientations of their residents, and in the responses governments have made to neighborhood needs and preferences. Any strategy to address this diversity of needs and expressed priorities must allow for and encourage multiple solutions.

2. Identifying and Representing Neighborhood Priorities

Egypt's traditional power structure, political values, limited resources, and the offices that control these resources all support a centrally-controlled top-down political and administrative system.It is the GOE's objective to restructure this system,to create bottom-up tiered elected bodies that will shape the policies and operations of their parallel administrative tier that, according to decentralization objectives, is to have implementation responsibilities increasingly delegated to lower-level units. The administrative structure is still largely controlled from the top down, but the elected system provides major opportunities for

collecting, focusing, and even creating a demand for policies and projects. As such, the elected Local Peoples' Council provides a significant basis on which to help assure that neighborhood priorities are assessed and fairly registered.

The mobilization of individual and neighborhood demand through these political channels, however, represents only one of several dimensions and possibilities for the legitimate expression of neighborhood concerns. Neighborhood-based non-governmental associations and leadership also warrant positive consideration, especially in a project whose purpose is to strenghten "institutional capabilities," including those at the neighborhood level.

Urban governates have three recognized territorial units: the governorate, districts within them (7 in Cairo, 4 in Alexandria), and kisms within districts (Cairo has 26 kisms, Alexandria has 12). The shiakha, an informal neighborhood group, exists within a kism, but administrative and elected bodies exist at the governorate and district levels only.

The Cairo Governate's Local Peoples' Council is composed of 130 members directly elected by the people. A Local Peoples' Council at the district level consists of six members plus a woman elected by each kism in the district. Cairo's different district councils consist of 182 elected members.

Perhaps to compensate for the participatory advantage of the more educated members of society, the composition of councils is skewed down the class ladder by requiring that 50 per cent of the council members be workers or peasants. Voting in elections is mandatory, but rates and patterns of non-compliance with this requirement are unknown. In any event, an emerging political system is in place and it is skewed in a manner to help assure that the concerns of the less affluent are registered.

Other than the consultant studies conducted for the NUS, very little is known about these councils, how representative they are of different types of neighborhoods, how well they are able to identify and register neighborhood needs, how they discharge their various responsibilities, and how much influence they have over government spending priorities. They differ from one another in these regards, just as they do in other countries. The very diversity of urban sub-areas suggests this. Some are better able than others to fulfill one of the major functions of the district-level elected councils: To prepare district needs for the governor and the governate peoples' council, as well as to specify and approve

popular participation plans. They also approve the district's annual budget. Therefore, in law, if not in practice, they already are charged with representing local priorities regarding needs, budgets, projects, and programs.

With the infusion of extra budgetary resources into this elected system, it can be expected that the councils' work loads will increase, the demands on their roles as representatives will become greater, and there may be an enhanced basis for political competition over project funds. The adoption of sub-project selection criteria oriented toward low-income neighborhoods and the expressed priorities of the beneficiaries should help to channel the councils' deliberations along equity lines.

One of the responsibilities of the district-level activators provided under this project is to assist the councils in developing their capacity to discharge the various responsibilities made possible by the project. This will require tact and a high degree of professionalism on the part of the contractor, for there is the danger that some of the activators will be placed in apparently conflicting roles: (1) to assist a strong-willed appointed executive in improving administrative processes and efficiency, and (2) to advise a similarly strong-willed council urging its priorities and concerns on the administrator who is appointed by and loyal to the governor. Conflict is anticipated, and it is possible that some district-level activators will be invited to leave their posts. The project monitoring and evaluation will watch these situations closely and attempt to learn from them.

Elected council members comprise only a very small portion of the political life and culture of urban areas. Because so little is known about patterns of influence and local leadership at the neighborhood level, it might be mistakenly concluded that nothing is there, only a vacuum of unlinked and unpatterned individuals.

Again, neighborhoods differ widely in the extent and capabilities of local non-governmental formal and informal groups. In Cairo, there are some well-established PVOs registered with the Ministry of Social Affairs and receiving matching funds from the Ministry to support their work. Alexandria has a reputation for having the most active urban PVOs in Egypt. At a less formal level, local businessmen seem to have informal trade-specific associations, and there are no doubt informal patterns of influence in most neighborhoods - - for example, many have the equivalent to the traditional umdah, or mayor.

These formal and informal PVOs have potentially significant contributions to make to the identification of neighborhood needs, the development of projects, and the sustainability of these projects. In some "informal" areas and for some functional activities where governments have not yet assumed major responsibility, these groups may represent the only vehicle for meeting the expressed needs of the intended beneficiaries. PVOs express demand and they can deliver services; they are part of what is meant in this project as institution-building.

According to the consultant studies, actual sub-project ideas arise from many different sources--local representatives in Parliament, central ministries, newspapers, appointed officials, as well as elected council members, PVOs, and local citizens. Because sub-project selection criteria call for representation of neighborhood beneficiaries' expressed priorities, this project over time should help to build linkages between local elected councils, registered PVOs, and neighborhood-based groups and leadership.

3. Institutional Feasibility

Two different features of institutional feasibility arise in this project's goal and purpose: (1) the pace and pattern of decentralization, and (2) the capacity of implementing units from different tiers of government to strengthen themselves in order to efficiently and effectively discharge the responsibilities they will assume under the project.

a. Decentralization

The real purposes of decentralization will warrant further clarification over the course of the project. In most countries, the purposes typically involve (1) community participation and (2) efficient management. These two can be rephrased as issues: (1) the geographical issue of the physical scale on which a particular operation should be organized in order to assure adequate resources, operations, and services, and (2) the political issue of which set of officials establish the spending priorities and control the activities of the operating units. The GOE's governmental decentralization process is beginning to work through the issues of what the proper delegation of responsibilities should be with regard to public services, government roles, financial resources, and supervisory control. At present, decentralization is very much an incomplete process; districts are to be given greater implementation responsibilities, but they have not been provided the resources to discharge these responsibilities or to develop their capacities to demonstrate that they can do so.

In law, the districts have specified responsibilities for "social functions" in the areas of education, social affairs, supply and internal trade, manpower and vocational training, youth welfare and sports, and health. In each sector, however, the governate and, it appears, central ministries have separate and shared responsibilities, so that no single unit or tier of government seems to be charged with a comprehensive approach to the sector at the district level.

In contrast to these social functions, the allocation of "municipal functions" between the governate and its urban quarters is at the discretion of the governor. It appears that the major neighborhood-level responsibilities assigned districts include public cleanliness, public parks and gardens, road construction and maintenance, and environmental improvement programs.

The present division of responsibilities can be characterized as some devolution (a higher-tiered unit delegates responsibilities to an independent lower-tiered unit), some deconcentration (a central ministry -- for example, the Ministry of Social Affairs--delegates some of its staff and responsibilties to lower-level government offices that might be viewed as the Ministry's field offices), and some cross-cutting special authorities--for example, for water, sewer, and transportation. The result is similar in some respects to the marble cake federalism found in the United States.

Central government has the power of the purse and, therefore, has a significant influence on rates and patterns of decentralization. Future decentralization will depend on the willingness of the governors to relinquish certain functions and, equally important, to refrain from using the far-reaching veto powers vested in them. Some informants report that there are significant differences between Cairo and Alexandria in these regards, with Alexandria moving more toward decentralization.

But, again, it is important to distinquish between administrative and political decentralization. The delegation of implementation or administrative responsibilities will presumably move at a pace and manner consistent with local capabilities, which the present project will help develop. Political decentralization, the bottom-up system of elected councils noted earlier, provides the opportunity for registering demand on the currently relevant administrative units, regardless of where the unit is located in the overall national, governorate, and district structure. From the perspective of the neighborhood, the task is to "obtain" services, not that a particular governmental agency "provide" the services. In some instances PVOs may be the most appropriate providers .

In summary, the NUS clearly distinguishes between the administrative and political dimensions of decentralization. One by-product of this project should be a clarification of the GOE's decentralization objectives, but the project itself is not intended to establish decentralization guidelines relating to implementation responsbilities.

b. Capacity of implementing units

With some notable exceptions, Egyptian public sector agencies are characterized by low productivity that is due to a combination of personnel, structural, and procedural influences. Agencies are frequently overstaffed and lack adequately trained staff for essential functions; workers have job security but receive low pay. At the same time, there can be frequent turnover at the top of agencies: Alexandria had seven changes of governor between May 1971 and May 1980, Qualuybia also had seven, Giza had six, and Cairo had three. Egypt is a government based on people, but the key people change jobs frequently. Capacity-building can not be built on individuals alone; it must be built into the system.

Structural impediments to improvement are evidenced as well. For example, investment decisions are made independently of and often by different agencies than the decisions to allocate current expenditures. Both decisions can be divorced from the capacity of agencies to spend the funds they receive and, therefore, their responsiveness to local needs.

It is premature at this time to resolve the incentives issue, for it is quite possible that the productivity question can be more easily addressed for small sub-projects by encouraging the adoption of new working units (e.g. small ad hoc groups whose only responsibility relates to the specific sub-project), by providing PVOs and private sector firms a greater role, by encouraging the creation of oversight committees in the elected councils to exert influence over the implementation process, and by the adoption of non-financial incentives--e.g., an awards program for exemplary projects and their implementing units.

4. Impact and Sustainability

The substainability of the process that is strengthened by this project depends on the assessment of how well local units are able to spend the funds to be provided them, the demand that elected councils, PVOs and beneficiaries place on government to continue the flow of budgetary funds through local implementing units, and the extent to which sub-projects have a visible and continuing impact on neighborhoods and beneficiaries.

It is anticipated that some sub-projects will be failures due to faulty design or implementation. The major source of failure, however, will most likely arise from lack of adequate follow-up support, and care.

Government agencies can and should make a major contribution to this continuing process, but sole reliance on government converts the sub-projects into community improvements rather than into a community development process. That is, the sub-projects must from their inception be responsive to local priorities, and local priorities should, where possible, provide a basis for involving the beneficiaries as participants, to encourage them to consider the sub-projects as their own, and to solicit their responsibility for the continued maintenance, operation, and appropriate use of the services or infrastructure provided.

Urban Egypt does not provide many lessons on how neighborhood-level projects can be sustained by the neighborhood residents. Preliminary evidence suggests that women provide an especially promising basis on which to involve beneficiaries, but the information on this possibility is incomplete. The NUS, therefore, will have to learn while doing. Relevant experiences--e.g., from PVOs, the UNICEF development program for some "least-developed" areas of Cairo, the World Bank's First Urban Development Project, and various other sources--will be examined by the TA contractor.

In summary, the number and characteristics of the first and second-order beneficiaries of this overall project cannot be estimated with any precision. The first-order beneficiaries are the employees of government agencies or PVOs who are trained and participate in this project in the course of the strengthening of institutional capacities to identify, develop, implement, and manage a large number of small sub-projects in districts throughout Greater Cairo and Alexandria. Their competence will be enhanced, their productivity increased and this increase should be rewarded according to standard government compensation regulations. The second-order beneficiaries are those hundreds-of-thousands of residents in low-income neighborhoods where the actual sub-projects are sited. The sub-projects will be relatively small and dispersed; there will be a large number of them; and they will be diffused throughout low-income neighborhoods in both metropolitan areas. Being neighborhood-based, they should be of special benefit to women and children.

5. Women

In the Egyptian setting women have an important role in almost all phases of the traditional responsibilities of child-rearing, housekeeping, sewing, cooking and tending to domestic animals. Women also play an important economic role in producing handwork ranging from knitting, embroidering and woven rugs. Few low income women, however, have formal jobs outside of the domestic setting. While schools are nominally open to boys and girls, women lack primary education. Literacy rates for rural women are considerably lower than those of rural men.

These women are ill-prepared for the challenges of urban life.While many of their family responsibilities remain the same (child rearing, housekeeping, cooking), they are cut off from many other areas. There appear to be a few cottage industries in the urban communities which might give women opportunities to supplement family income. Women's activities in one sense are therefore much more circumscribed to housekeeping and child rearing in the cities. On the other hand, economic realities have forced more and more women, particularly in the lower socio-economic strata, to seek employment outside of the home. Their poor educational background and almost total lack of vocational preparation, leave them few employment alternatives other than street-vending and domestic service, both low-paying and unstable occupations. Child care is becoming an increasingly important problem for these women.

To overcome strong traditions regarding the "place of women" in the society the local government laws make it mandatory that at least one woman serves on each representative council. Strengthening local governments can only result in further strengthening the women's role in government both as elected representatives and electors. Obviously too, the nature of the program being undertaken directly affects the beneficiary population for pure water, improved health care accrue to the benefit of the entire population without distinction as to sex.

6. Obstacles

While the proposed NUS follows in the steps of previous similar programs, several of which are still being implemented, it is nonetheless important to recapitulate several areas of possible limitation to attaining the objectives of the current program, together with suggested approaches for mitigating their impact.

1. Disparities in objectives may create problems in given neighborhoods, to be able to agree on projects, leading to delays or even indefinite postponement of projects. These situations will require consideration of innovative solutions, such as modification of traditional methods for selection of services which would bring their benefits to a more attainable level. Devising such solutions will require maximum use of the talents of the NUS technical assistance contractor.

2. Much of the anticipated success of the current program is predicted on increasing the functioning and participation of district councils. While many existing councils function well, others do not function as well for a variety of reasons, including less technical assistance, community factionalism, and a host of other problems which can afflict any organization, such as interpersonal friction, rivaries, poor leadership and problem-solving skills, replacement of individuals on committees, etc. A technical assistance vacuum exists, and the committees are largely left to shift for themselves. Given their central role in he program, it will be of particular importance to fill the vacuum. Coordination is again stressed as a means of increasing the impact of technical assistance to the district organizations. Such coordination can establish a useful precedent for wider coordination of activities between these institutions, both of which are essential to urban development.

3. The project description includes the possibility of the NUS making part of the funds available for building schools, health posts, markets, etc. While such facilities are unquestionably needed, the concerned ministries may be brought into the planning process. This would have the advantage of promoting coordination with their ongoing and planned programs, as well as an integrated approach to development of the low-income urban communities, but may be resisted by local participants who are defensive about their newly acquired independence.

4. The level of sophistication and effectiveness of community organizations in different districts can be expected to vary requiring particular sensitivity and skills on the part of all participants who will work with them in order to avoid problems due to breakdowns in the decision-making process, misunderstandings on plans, terms, suspicion due to class differences, etc. Here again, previous experience from the

current decentralization portfolio should be evaluated in order to ensure the effectiveness of procedures under the new program.

7. Spread Effects

There will be several important spread effects emanating from the NUS project.

1. This project supports the GOE's effort to develop and implement decentralization through new outreach technical assistance within its current organizational structure, where the capacity to better implement services will extend beyond the time and client boundaries of this program in benefit of a significantly wider segment of the urban poor.

2. The program provides opportunities for greater collaboration between relevant units of the district and community groups which may result in improved service to the target population.

3. It is apparent that the project will require and stimulate communities interested in acquiring facilities to increased organizational activities to deal with the issues involved. The larger benefits accruing from such experiences, if they are supported by technical assistance as needed, are to increase neighborhood cohesion, sharpen group problem-solving skills, and to enable the districts to move into broader areas of community development.

4. The project offers opportunities for private contractors and builders to accumulate experience in working with low-income populations, which should provide a good base for continuing to work with these groups outside of AID-sponsored programs.

5. The implementation of demonstration projects to increase neighborhood upgrading should promote use of the techniques developed in a wide range of other programs and thus benefit a far greater population than that contemplated under the proposed loan.

8. Changes in Power and Participation

The NUS Project stresses participation of district councils in the design and development of projects and makes technical assistance available to these councils to ensure that their participation is effective. The important involvement in activities which will have impact on their lives and on their neighborhoods should enhance the ability of the councils to deal with public and private institutions in the future giving them greater control over their development.

INITIAL ENVIRONMENT EXAMINATION
NARRATIVE DISCUSSION

1. Project Location:
   Egypt

2. Project Title:
   Neighborhood Urban Services

3. Funding (Fiscal Year and Amount)
   FY 1981

4. IEE Prepared By: Date: 2/24/81
   David N. Hagen

5. Action Recommended:

   Positive Determination for one component of proposed project

6. Discussion of Major Environmental Relationships of Project Relevant to Attached Impact Identification and Evaluation Form:
   Environmental activity, individually, is anticipated to be small, localized, and of positive benefit. Neighborhood projects may involve street cleaning, garbage collection, sanitary improvements, or repairs of public water supplies. However, the composite statistics for disposal of street sweepings, solid waste and vault discharge, if concentrated, may result in environmental degredation of other areas. Too, unless coordinated with master planning efforts, interim solutions to physical problems may strain existing municipal resources for supply of potable water and sewerage and existing collecting facilities. Misallocation of resources may inadvertently lead to concentrations of effluent, solid waste and unwanted materials which, although allowing projects to be immediately carried out, will result in the necessity of additional transfer, relocation, and technological changes in the near-term.

   Under this scenario, the Mission's environmental concerns reflect the need for a systematic evaluation and approach, on a regional basis, for removal and disposal of solid waste, refuse, and related materials, the social integration of evolutionary sanitation improvements, and a national approach to neighborhood street improvement which can satisfy metropolitan needs. It should be reemphasized, however, that the foreseeable positive impacts of the proposed program markedly outweigh foreseeable negative impacts. The essence

of the program outputs is to bring improved infrastructure and services to those who totally or partially lack such facilities.

As the NUS program will be composed of a multiplicity of small-scale neighborhood projects, a finite environmental determination would only be as appropriate as a range of hypothesis could provide. Therefore; as as first step toward impressing upon the recipients that environmental results warrant consideration, each project will have to be supported by an Environmental checklist.

The issues raised by the checklist will be presented to AID and to the governorates planning coordinators. In this manner, each proposal will be required to set forth the salient environmental conditions associated with it. At the present time there are requirements for analysis and project permits from the municipal authorities. This form would build upon these existing requirements and result in improved environmental review of each proposal. The Mission Engineering Department is staffed by personnel who would periodically review NUS proposals for AID financing including their environmental component.

If the ability to increase the capacity of the governorates to link local problems with integrated solutions cannot be manifested after an initial period of technical assistance, the Mission will so advise host country representatives. As the program will be subject to annual evaluation and feedback, future projects which affect environmental quality would be excluded from funding.

ENVIRONMENTAL CHECKLIST FOR SELECTION AND DEVELOPMENT OF ENVIRONMENTALLY-SOUND PROJECTS

The use of this attached form will consist of first identifying the pertinent impacts by completion of the checklist. Then in the spaces entitled "Observations", measures will be indicated to minimize or avoid the negative impacts indicated in each section of the ckecklist. Should the project not prove amendable to design and locational measures, then the completed form would conclude with a rejection of the proposed project on these enunciated grounds.

This form shall guide the district or governorate in its sponsorship of environmentally-sound projects. When AID receives a project for review, it will be asking for environmental information and analysis to be included. Therefore environmental concerns will be channeled back to project initiators.

ENVIRONMENTAL ANALYSIS OF THE PROJECT

Project No.

Reference

Report:
Of:
For:

Date:

Name of Project:
City:
District:
Applicant:

1.0 Environmental Effects of the Project

2.0 Locational Factors Potentially Impacting Project

I. PROJECT IMPACTS ON THE ENVIRONMENT

A. In relation to the natural environment

1. The project will affect existing water resources:

a.	Surface	YES	NO
b.	underground	YES	NO
c.	Estuary	YES	NO

Observations:

2. The project will affect sensitive areas:

a.	Areas of resupply of underground water	YES	NO
b.	Rare or endangered animal and plant species and their habitats	YES	NO
c.	Historical, archeological, and cultural resource	YES	NO
d.	Unique natural areas	YES	NO

Observations:

3. The project will have an effect on existing or future land use and on development projects which may influence:

a.	Agricultural lands	YES	NO
b.	Important natural resources (woods, wetlands, minerals, etc.)	YES	NO
c.	Open space/recreation lands	YES	NO
d.	Ecological equilibrium of the area/region	YES	NO
e.	Stability and preservation of human settlements	YES	NO

Observations:

MISSING PAGE

NO. 6

4. New or different technology, related to infrastructure and community services, will provoke ecological consequences:

a. Water consumption beyond the limitation of the supplies	YES	NO
b. Energy Requirements	YES	NO
c. Air quality	YES	NO
d. Water quality	YES	NO
e. Change in agricultural practices and use of human waste for fertilizer	YES	NO

Observations:

B. In relation to the human environment

1. The project will affect traditional customs and sociocultural conditions:

a. Community character and cohesion	YES	NO
b. Social organization	YES	NO
c. Institutional structures	YES	NO
d. Lifestyle and cultural traditions	YES	NO
e. Family organization and values	YES	NO
f. Demographic or social profile	YES	NO
g. Levle of personal safety and convenience	YES	NO

Observations:

2. The project will affect traditional concepts and housing techniques:

a. Building materials	YES	NO
b. Construction techniques	YES	NO
c. Housing form and style	YES	NO
d. Interior design or space	YES	NO
e. Spatial relationship among the housing elements	YES	NO
f. Population density	YES	NO
g. Housing location	YES	NO

Observations:

3. The project will affect public health and general well-being:

a. Contagious diseases and health conditions	YES	NO
b. Migratory movement	YES	NO
c. Employment centers/sources of income	YES	NO
d. Land tenure and/or human settlement stability	YES	NO
e. Form of use of income	YES	NO

Observations:

II. LOCATIONAL EFFECTS ON THE PROJECT

A. In relation to the natural environment

1. Sensitive areas will affect the project:

a. Soil stability: dunes, expansive clays, inconsistent soils, erosion, etc.	YES	NO
b. Unique or unstable geological formation	YES	NO
c. Floddplains	YES	NO
d. Saline soils	YES	NO

Observations:

B. In relation to the human environment

1. Problems of environmental health will affect the project:

a. Water quality	YES	NO
b. Air and climate quality	YES	NO
c. Exposure to contagious diseases	YES	NO
d. impacts caused by the action of man: noises, smells, toxic materials, etc.	YES	NO

Observations:

2. The lack or limited capacity of infrastructure and basic community services will affect the project:

a. Transportation: access to work, services, etc.	YES	NO
b. Provision and distribution of water	YES	NO
c. Collection, treatment, and disposal of sewage	YES	NO
d. Medical help	YES	NO
e. Collection and disposal of solid waste	YES	NO

Observations:

3. Urban/regional growth and land use considerations will affect the project:

a. Pressure on the capacity of the existing natural systems: food, production, provision of water, etc.	YES	NO
b. Pressure on public services: public transportation, electric service, schools, etc.	YES	NO

Observations:

III. CONCLUSION

UNITED STATES GOVERNMENT

memorandum

DATE: May 19, 1981

REPLY TO ATTN OF: NE/PD/PDS, Stephen F. Lintner, SFL
Bureau Environmental Coordinator

SUBJECT: EGYPT - Neighborhood Urban Services - Project Identification Document (263-0153) - Environmental Clearance

TO: NE/TECH/SA, Robert Mitchell,
Project Chairperson

I have reviewed the environmental documentation and operational plan submitted for the proposed project and find that it fulfills the requirements of 22 CFR 216, "A.I.D. Environmental Procedures". It is requested that this office and the Mission Environmental Officer be provided with copies of the annual evaluations to assure proper project monitoring.

cc: GC/NE, T. Carter
AID/Cairo, W. McAleer, Mission Environmental Officer
AID/Cairo, D. Hagen, Mission Project Officer
AID/Cairo, L. M. Hager, Senior Legal Adviser

OPTIONAL FORM NO. 10
(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-114

Annex 11

Economic Justification

1. Introduction:

The NUS project is designed to provide necessary basic infrastructure, urban facilities and functional social institutions in a most cost effective manner for people in greater Cairo and Alexandria. Proposed projects that will be undertaken, if the NUS project is approved, range from construction of water and sewerage work, street lighting, school extension and repairs to provision of community child care facilities, improvement of homes for the elderly,etc. These various projects are to be planned, implemented and maintained by district officials and elected council members for their own districts (largely poor) in greater Cairo and Alexandria.

As suggested, most of the sub-projects are for social services which produce little monetary revenues. Instead, benefits will appear in the form of social benefits such as improved living conditions, enhanced health, better education for future generation, etc. Although it is conceivable that future earning capability of some district population may be advanced as a result of these projects, a marginal increase in near term earnings will likely be small. In the case of district officials and elected council members, the technical training will increase their individual human capital which could be profitably marketed in som other organizations. The increased human capital may produce higher income in the future. Moreover, the proportion of total cost designated for the training is less than 1%. For this reason it can be safely assumed that monetary returns from the increased human capital due to the training will not be substantial. For the reasons above, a rigorous cost-benefit analysis of the NUS project is neither possible nor called for.

2. Qualitative Cost Effective Analysis:

Given the goal of providing the necessary infrastructure and desired social and urban facilities, what would be the least costly method to achieve the objective? Although it would not be possible due to lack of data to perform a rigorous cost effective analysis, there are sufficient qualitative reasons to believe that the NUS project as currently designed will likely deliver the final product more efficiently than the best alternative method could. For the purpose of comarison we choose, as the best alternative, the method that is

most likely selected by international financial institutions, such as the World Bank or regional development banks. A central agency is nominated as the implementing office and receives a commitment for an infrastructure grant or loan. Funds are advanced for a feasibility and design study, which recommends a list of projects. A contract is signed in the name of the implementing agency and the finished products are handed over to the local units for operation. District officials and local leaders play an auxilliary role, providing support, furnishing survey details and assisting the construction team as the project moves along.

What this approach does not produce is a residual capacity in the district level to repeat the process or, for that matter, to maintain what they have been given. Each succeeding effort, either to extend the project or to effect their maintenance, must be channeled through central agencies. The district units, unidentified with the project in any real sense, have little interest in their operation. Their general attitude is "thank you" for the gift from the central government as long as it lasts. The long range cost of this attitude is evident in rapidly deteriorating capital infrastruction we are familiar with.

The NUS project takes a fundamentally different approach from the above alternative method in achieving the same goal. District officials and elected council members in the district play a central role under the NUS project. Broadly speaking the project consists of two major components. The first component is designed to build the capacity of district officials, elected council members and some Governorate officials, through technical assistance and actual experience, in project selection, design, implementation and evaluation. The second component provides investment funds to the target district leaders for them to undertake necessary social investments in their districts on their own initiation. Under the NUS project, the district officials and elected council members actively participate in providing what they conceive to be the most urgent social facilities needed for their communities. They not only identify necessary projects, but they actually solicit and evaluate tenders, finalize contracts, receive final products and maintain their projects. In other words, district officials and elected council members select, plan, implement, evaluate and maintain projects for their own districts.

Although we have little actual cost data to compare cost advantages of one mode of delivery over the other, we believe that from the point of view of raising consciousness, enthusiasm, concerns and

capacity of district officials and elected council members, the NUS project as currently designed would be far more cost effective in the long run. Furthermore, future replication of similar projects would be more easily accomplished under the currently designed project due to the experience gained by district leaders than under the alternative. This building of human capital among district leaders, we believe, would be more cost effective in the long run in responding to the future demand of the districts.

On the basis of above analysis, we believe the NUS project as designed is qualitatively most cost effective.

ANNEX 12
EVALUATION BACKGROUND

A. Evaluation Need

This project forms an integral part of the USAID's decentralization portfolio. The Mission plans to incorporate the evaluation of NUS within the overall scheme of decentralization evaluation. A basic system of decentralization monitoring and evaluation, based on governorate and sub-governorate budget records is currently being finalized under contract funded by the BVS project. The evaluation funding provided under this project will provide for a supplement to the major Mission decentralization evaluation contract insuring that specific cognizance is taken of the NUS.

As part of the decentralization portfolio, the NUS proposes annual evaluations which meet or exceed approved evaluation plans for the Mission's BVS and DSF activities. The Mission considers performance of the outside evaluation plan through the BVS evaluation contractor as in the best interests of the project and in achieving an incremental cost for this project element. Negotiation with the BVS evaluation contractor will be held once the technical assistance negotiations have been concluded. Depending upon the success of these negotiations, the external evaluation process will begin no later than the FY 1982-83.

The NUS requires evaluation against basic USAID concerns:

a. Impact of the program on the overall goal of increasing local capacity in support of decentralization in Egypt.

b. Effectiveness of the NUS mechanism in moving beyond administrative decentralization to actually impacting on the productivity/quality/utility of public services and public infrastructure in districts. Did the project result in improved services? Was it effective in meeting the legitimate basic needs of a significant share of the population?

c. A management assessment of the NUS as a systems tool. What are the managerial implications of the NUS program for non-project or program type support in Egypt? Does the NUS instrument have broader applicability in programming for Egypt? Does the instrument need further refinement? How can it best be refined?

The NUS evaluation plan reflects main objectives with defined sub-elements within each.

B. Evaluation Plan

Experience has been gained regarding what might be determined over the life of a decentralization project through mini-evaluations of the Mission's BVS project. Because the NUS program has multiple outputs of both a physical (i.e., construction of infrastructure) and process nature (i.e. decentralization), the evaluation process must address both. The assessment of a complicated process such as institution capacity building under decentralization is best suited by the case study approach. However, the review of physical outputs is better suited to the sampling approach.

The methodology to be used in NUS evaluation will combine several approaches. A stratified random sample of projects will be selected for visitation and review. Information can be gathered on these specific projects by site inspections and structured interviews. The sampling process will be stratified by governorate, district and type of project, such that 10% of the projects in each of the governorates may be inspected.

Structured interviews will then be conducted with personnel at the local unit, district and governorate level to review the projects initiated. These will encompass:

1. Type of project
2. Observed project benefits and beneficiaries
3. Project cost vs estimate
4. Completion time vs. estimate
5. Project selection process
   a) who selected
   b) how selected
6. Implementation responsibility
7. Recorded data
   a) financial
   b) technical
8. Innovative approaches/informal areas/role of women
9. Disbursement vs. appropriation
10. Negative impacts on people and environment

The initial NUS physical outputs are anticipated to show similarity to the BVS program - that of upgrading older and deteriorating systems instead of the building of new systems. This means that improved services will generally only reach a moderate number of new beneficiaries although they reach a large number of people.

The annual evaluations will, also focus on budgetary data and statistics. Governorate and district funding levels, will be adjusted for inflation, to determine if (a) project funds augment actual capacity, and if (b) of activities with government funds should also be analyzed for beneficiary levels.

A corollary of upgrading existing systems is the tendency of such projects to be of low visibility. Thus, if AID wishes to increase the visibility of these projects, it will have to consider on-site or off-site media systems. Also, to quote the recently completed annual BVS evaluation:

1. Measurement of impact will be difficult if not impossible

2. Projects will be fragmented and difficult to trace.

3. Baseline data against which to measure EOP status and viability will be virtually non-existent.

4. Maintenance covenants and inspections must be strong to ensure follow-through by local officials.

Because of these limitations expected for output measurement, the evaluation of the <u>process</u> rather than the <u>physical</u> project accomplishments is the keystone of the evaluation plan.

C. <u>Evaluation Hypotheses</u>

The project's purpose is to expand and strengthen institutional capabilities to undertake the actions needed to improve public services and infrastructure. A basic hypothesis of this purpose is that by reflecting local choice and input in determining project activities, decentralization is strengthened and institutions benefit.

A measurable indicator is the degree of local choice in project selection. Input from elected officials which serve on district popular councils is a factor which the evaluation plan will consider. Measurements are the records of correspondence, council meeting logs, and other communication to district and governorate appointed councils for neighborhood activities.

The project execution phases, however, require technical and managerial expertise. These are clearly, under Egyptian systems, the prerogative of the appointed staffs to carry out. The evaluation plan, by utilizing measurements of the nine items described alone, can trace the evaluation of expertise in these areas through the process of grappling with subproject activities.

As noted in the BVS evaluation comments, a high degree of coordination is required between elected and appointed officials, between districts and governorates, and between local needs and technical designs and costs. An often overlooked coordination mechanism is the use of private sector companies or individuals to work with public officials and authorities to satisfy local needs or provide services. The ability to coordinate is measurable through an entire process; it can be expanded through integration of management and project training where elected and appointed personnel can jointly develop solutions to problems.

A final demonstrable point for evaluation of the process is local participation in project implementation. If basic neighborhood needs are being satisfied, it is assumed that local residents will have an active interest in the implementation of a particular project and its maintenance. The evaluation program can review records on local participation in a project's implementation. Donated funds or labor for maintenance could be an evaluation measurement of the process and the physical project.

D. The Proposed System

The 1980 study by Development Alternatives, Inc. (DAI) provides excellent background information on the issues involved in decentralization in Egypt. The goal of Egypt's decentralization policy is to provide improved living standards with control over local development programs at the lowest level of administrative competence.

The measurement of decentralization should include macro-level indicators that show an increased flow of resources and income going to the local units as well as the more micro indicators previously suggested.

The principal measures of decentralization proposed by DAI are the degree of:

1. Control over financial resources;
2. Management of personnel; and
3. Administration of government activities.

The strategy for developing an appropriate monitoring and evaluation system is to select the least number of indications for which information can be obtained and which will be useful for project management. The initial indicators may be expanded as further experience is gained and subprojects are completed. The data will come from a wide array of services/techniques. Beside the

use of government records and formal associations, other sources may include manpower accounts, physical evidenced interviews with local unit personnel, and monitored meetings.

The monitoring of BVS projects has involved monthly reporting from local units and governorate level officials involved as well as quarterly spot checks by a monitoring team in each governorate. Standard reporting formulas have been devised and there is also a system of reporting to be followed. The first priority of the T/A contractor in working with the IAC should be the implementation of a standardized financial reporting system. USAID should be provided with these reports and sufficient translations made to meet the USG requirement for project management and monitoring.

Finally, since the thrust of this program is decentralization, the focus should be on helping the governorates have the capacity to monitor and evaluate projects -- rather than having the monitoring and evaluation system centralized in the IAC.

One of the responsibilities of the district-level technical assistance coordinators provided under this project is to assist the councils in developing their capacity to discharge the various responsibilities made possible by the project. This will require tact and a high degree of professionalism on the part of the contractor, for there is the danger that some of the coordinators will be placed in apparently conflicting roles: (1) to assist a strong-willed appointed executive in improving administrative processes and efficiency, and (2) to advise a similarly strong-willed council urging its priorities and concerns on the administrator who is appointed by and loyal to the Governor. Conflict is anticipated, and it is possible that some district-level coordinators will be invited to leave their posts. The project monitoring and evaluation will watch these situations closely and attempt to learn from them.

E. Evaluation Components

1. Project Evaluation

a) Analysis of specific project performance and improvements in the planning, managerial, administrative, technical and financial capacities of the participating local jurisdictions.

b) Measuring the time of development and quality of design, construction and maintenance plans of the projects through this program.

2. Goal Evaluation

a) Defining the relationships between the subprojects, benefits to the people in the influence area, composition of the beneficiaries, assessment of social impact of projects to the beneficiaries and characterization of the benefit cost, or cost effective, relationship.

b) The spatial distribution of benefits will address the question as to which neighborhoods receive the most or least services.

3. Purpose Evaluation

a) Measurement of the policy, budgetary and administrative changes at governorate and district level within the context of the government's overall policies of decentralization.

b) Measure and quantify the policy, budgetary and administrative decentralization on:

- NUS project-related programs
- other major features of GOE urban programs.

This project calls for measures of an improved process and capacity for different organizations. The evaluation should reflect: (1) Generic features of organizational processes. This will be the focus of the evaluation of "institutional capability". (2) Each phase of the project identification, development, implementation, and use process.

Examples of measures are:

(1) The number of exchanges, over time, within the organization, between agencies, and with beneficiaries; uses of different methods of communication and the effects these have on decision-making and processing time (the use of telephones, personel visits, etc.); the number of communications initiated from lower echelons in organizations including the filing and storage of information, and the use of this information and follow-up activities. These measurements can be obtained from the TA contractor's logbooks, usage of anticipated training manuals, and on site interviews.

(2) The speed and efficiency of the flow of work and problem-solving, incuding the number of steps required for different aspects of the project process; how long a unit of work or decision-issue waits at each step; the frequency of different types

of bottlenecks; both time schedules and budget overruns; the frequency of the recycling of prior decisions and products; and indicators of the technical adequacy of project solutions. Sources for this data are (a) current district project records (b) the district demonstration project activity and (c) the TA contractor logbooks and records used for their initial workplan and training program.

(3) Institutional capacity refers to more than governmental agencies. Attention, therefore, will be given to the role of formal and informal PVOs, expressions of demand for services -- and participants in the process of producing outputs -- by neighborhoods.

(4) In addition to managing services and infrastructure, the project will be evaluated with regard to the number of services and resources "obtained". Relevant indicators include the number of new projects and activities provided by public and non-governmental units in a district, resource flows, and increases in the number of PVOs that are registered.

4. Output Evaluation

a) The number, type, and spread of projects; the number and type of beneficiaries; and measures of physical condition and flow of services.

b) Post hoc on-site interviews, as well as monitoring of the needs assessment, project identification, and prioritizing steps. Interviews will assess whether the project reflects expressed neighborhood priorities, whether residents feel the project is "theirs", and if the neighborhood is better-off because of the activity.

c) Each phase in the project process will be examined separately -- e.g., (1) subproject identification, including the volume and type of information flows with local neighborhoods; how long it takes for offices to respond to complaints registered in the complaints office, as well as other enquiries and suggestions; the number of needs identified and discussed by local councils, etc.; (2) evaluation and prioritization, including the information included in the evaluation process; (3) subproject design, implementation and follow-through including assessment of the adequacy of budgeting, scheduling, procurement, storage, release and delivery of supplies and equipment, monitoring of project performance, O&M practices, and preparation of beneficiaries for the acceptance and use of the specific activities provided.

d) Numbers of trained staff, their qualifications, their distribution by agency, function, and position within agencies, and the actual uses they make of their skills; all will be measured in different phases of the overall project.

e) The number of PVOs, the role that local groups play in the identification and subsequent project processes. This information will be obtained from ad hoc evaluations made of a sample of site-specific projects, as well as registration records of PVOs, their budgets and achievements, and selected interviews with local groups. On-site interviews will indicate whether the projects have increased conversations and behavior relating to community improvement, what new if any leaders, spokesmen, and informal or formal groupings have arisen in the neighborhood.

F. Evaluation Tools

USAID/Cairo plans to use three tools to achieve these evaluation objectives:

a) Annual evaluations of project performance and progress against objectives via an evaluation contractor.

b) Life-of-project evaluation/monitoring designed to permit tracking of the performance consequences of NUS decentralization elements through the prime TA contractor.

c) Studies and reviews carried out as needed under the framework of the LOP evaluation/monitoring contract. These will aim at tracking micro impacts of a project and of decentralization. It is anticipated that most of these studies will be carried out by AID personnel on TDY, where warranted.

The project contractor, AID Project Officer and officers from the Governorate will be charged with the responsibility of collecting appropriate benchmark data for Project and Goal Evaluation.

The project system of Annual Evaluation will be carried out under separate contract. The design will build on the documentation systems already in place in the governorates. The evaluation contractor, through working under direct supervision of the USAID Project Manager, will consult frequently with the local units to get their views, suggestions and problems. The result of this evaluation will be the focus for discussion between USAID and the GOE regarding possible changes in the project design and will be weighed in considering the annual funding.

AID will internally carry out mini-evaluations to check out whether or not agreed upon covenants and changes in the project which grew out of the annual evaluation were effected and discern results. We would expect that this would more clearly define the need, potential and major design elements in any follow-on NUS or make the case for dropping the follow-on project.

ANNEX 13

ILLUSTRATIVE SUBPROJECT SELECTION CRITERIA

(These criteria are the basis of discussion with the IAC for policy guidelines)

Project submission forms will require a clear statement of the project and the needs or problems it addresses; how many beneficiaries will be impacted by the project; how the SP will yield benefits; the roles that the community and beneficiaries have in project identification, development, and the maintenance process; the project cost and its technical, economic, and administrative feasibility. The following are the suggested guidelines.

A. Need Assessment

1. SPs shall maximize the role that beneficiaries, neighborhoods,voluntary groups, and elected district representatives play in the identification, development, execution, and continued activity management.
2. All SPs submitted for funding shall be reviewed and approved for need and priority by the district's elected council, and reviewed and approved for technical adequacy legality, budgetary support and that no other funding sources are available to support the SP by the governor.
3. SPs shall impact the largest possible number of beneficiaries at the lowest possible cost. Highest priority shall be assigned to projects that are visible to the neighborhood, benefit the poor, positively affect employment, and benefit women. Higher priority shall also be assigned to SPs that provide for maximum participation by the local neighborhood in the identification selection, financing, implementation, operation, maintenance,use, and enjoyment of the activities--e.g., provision and/or improvement of public services, rehabilitation of education and/or health facilities, the provision of market areas providing employment to local residents, and the provision and/or improvement of public infrastructure. SPs also shall identify and indicate mitigating measures regarding possible harmful effects SPs may have--e.g., displacement of people or places.

B. Costs

1. District Sps shall not exceed a total cost of LE 50,000 and those SPs implemented by governorates or other public agencies shall not exceed LE 60,000.All SPs in excess of these ceilings shall be considered on a case-by-case basis and will be subject to special criteria--i.e. engineering plans, detailed costs, special studies, etc.

2. SP costs are to include all normal material and labor costs but not provisions for land acquisition, rights-of-way, governmental salaries, incentives, fees, taxes,etc. All routine costs associated with operation, maintenance,or preservation will be provided through regular government channels.
3. Motorized vehicular equipment for SP implementation and/or O&M shall not be purchased with project funds. Project funds may be used to contract equipment from the private sector for SP implementation, but O&M needs shall be provided from government resources.
4. SPs requiring funding from two or more sources for their implementation shall be discouraged.

C. Feasibility
1. SPs shall be completable within one calendar year.
2. SPs shall be shown to be technically feasible and that the proposed solution is not contingent on solutions to other problems that are not adequately addressed--e.g., safe and sanitary end-disposal. Sps involving innovative but largely untried technological solutions shall not, however, be discouraged. Such SPs shall receive special funding consideration.
3. Sps must be completed within established budget limits.
4. Revenue-producing SPs shall generally be discouraged unless they can be easily controlled and channeled into replication and/or O&M.
5. SPs shall have credible implementation and management plans regarding staffing, task assignments, monitoring, and community relations procedures to assure neighborhood awareness, future maintenance, and future use of the SP.

D. Submissions, Revisions, and Exeptions
1. All SPs for a given budget year shall be submitted as part of an overall prioritized listing.
2. SP selection criteria shall be periodically jointly reviewed and revised as mutually agreed between USAID and the responsible GOE parties.
3. Natural disasters and other emergincies shall be eligible criteria in assigning priorities to SPs.

PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. Continuing Resolution Unnumbered; FAA Sec. 634A; Sec. 653(b). (a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that figure)?	(a) Congress will be notified in accordance with regular agency procedures. (b) The intended obligation is within the level of funds appropriated for Egypt.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	(a) Yes (b) Yes. The financial plan and analysis are part of the Project Paper.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	No further legislative action is required other than action notifying that the Grant Agreement is signed.

4.	FAA Sec 611(b); Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973	N/A
5.	FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	Yes
6.	FAA Sec 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No
7.	FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	This project will encourage the strengthening of Egyptian private enterprises providing the services required to execute subprojects.

8.	AA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	US private enterprises will provide the technical services required for the project.
9.	FAA Sec. 612(b), 636(h); Continuing Resolution Sec. 508. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	(a) The GOE will contribute $13,900,000 equivalent in its own owned local currency. (b) The project paper contains a request for a 612 (b) determination which will permit the use of U.S. dollars to pay for local costs.
10.	FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	Yes. See Annex the Project Paper.
11.	FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes
12.	Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competiting commodity?	N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?	N/A

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

Not Applicable

(1) [103] for agriculture, rural development; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; 103A if for agriculture research; full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration of programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures

encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, (i) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and (ii) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106; ISDCA of 1980, Sec. 304] for energy, private voluntary organizations, and selected development activities; if so, extent to which activity

is: (i) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test of suitable energy sources, and pilot projects to test new methods of energy production; (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves; and (c) a cooperative program in energy production and conservation through research and development and use of small scale, decentralized renewable energy sources for rural areas;

(ii) technical cooperation and development, especially with U.S. private and voluntary or regional and international development, organizations;

(iii) research into, and evaluation of, economic development process and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] is appropriate effort place on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.)

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has latter cost-sharing requirement been waived for a "relatively least developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

2. Devlopment Assistance Project Criteria (Loans Only) N/A

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will complete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? Yes

To the extent possible, does it reflect the policy directions of FAA Section 102? Yes

b. FA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	AID will follow its normal procurement procedures.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?	Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will commodities be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in the U.S.?	N/A
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A

5.	FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?	N/A
6.	FAA sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services be furnished from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?	Yes
7.	International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed in grant basis, will provision be made that U.S. carriers will be utilized to the extent such service is available?	Yes

8. Continuing Resolution Sec. 505. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? **Yes**

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interests? **N/A**

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? **Yes**

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million? **N/A**

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? **N/A**

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? **N/A**

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? **Yes**

4. Continuing Resolution Sec. 514. If participants will be trained in the United States with funds obligated in FY 1981, has it been determined either (a) that such participants will be selected otherwise than by their home governments, or (b) that at least 20% of the FY 1981 fiscal year's funds appropriated for participant training will be participants selected otherwise than by their home government? **Yes**

5. Will arrangements preclude use of financing:

   a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization? **Yes**

   b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? **Yes**

c. FAA Sec. 660. To provide training or advice or provide any financial support for the police, prisons, or other law enforcement forces, except for narcotics programs? — Yes

d. FAA Sec. 662. For CIA activities? — Yes

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unles a waiver is obtained. — Yes

f. Continuing Resolution Sec. 504. To pay pensions, annuities retirement pay, or adjusted service compensation for military personnel? — Yes

g. Continuing Resolution Sec. 506. To pay U.S. assessments, arrearages or dues. — Yes

h. Continuing Resolution Sec. 507. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending.) — Yes

i. Continuing Resolution Sec. 509. To finance the export of nuclear equipment fuel, or technology or to train foreign nationals in nuclear fields? — Yes

j. Continuing Resolution Sec. 510. For the purpose of aiding the efforts of the government of — Yes

	such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	
k.	Continuing Resolution Sec. 516. For publicity or propaganda purposes within U.S. not authorized by Congress?	Yes

ANNEX 15

Mr. Donald S. Brown
Director
USAID

Dear Mr. Brown:

In accord with the Government of Egypt's emphasis on Decentralization for improving the quality of life of all Egyptian citizens, we are desireous of assistance in building local government and neighborhood capacities in the greater urban areas of Cairo and Alexandria.

Matters concerning the nature and structure of possible assistance have been widely discussed among the concerned Governorates and representative Ministerial officials. We are confident that the program, coordinated through a senior-level representative Steering Committee, will be of great value to the residents of our major cities by:

1. Providing resources to the local districts for neighborhood improvements;

2. Providing advisory services through Egyptian and American experts;

3. Providing training for appropriate personnel within Egypt and in the United States;

4. Providing resources to local voluntary organizations in like manner, to stregthen their contribution to Egyptian society.

The Governorates will be responsible for the conduct of their respective districts involved in the program, and they will be responsible for audit and certification of resource usage. It is reasonable that allocation of funds to the Governorate districts, after the first project year, will be contingent upon satisfactory performances. In addition, the Governorates will ensure that separate accounts are established for the program funds and that an amount equal to 10 percent of project construction costs will be deposited in restricted accounts for maintenance prior to receipt of program funds, and that adequate implementation and monitoring staff personnel are made available within the Governorates and districts to conduct the project.

On behalf of the participants and beneficiaries in this program, the Government of Egypt requests that the United States Agency for International Development provide the assistance described as "Neighborhood Urban Services".

Sincerely,

A.F. Younes

Ali Fawzi Younes
General Secretary for
Local Government

R 301645Z MAR 81

FM SECSTATE WASHDC

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TAGS:

SUBJECT: NEIGHBORHOOD URBAN SERVICES (263-0153) PID: NEAC REPORTING CABLE

1. MEETING ON MARCH 26, 1981, THE NEAC APPROVED SUBJECT PID AND AUTHORIZES USAID TO PROCEED WITH THE PP DESIGN OF THE NUS PROJECT.

2. NEAC ENDORSED BASIC CONCEPT OF THE NUS AND WELCOMES INNOVATIVE APPROACHES UNDER CONSIDERATION. IT EXPRESSED CONCERN, HOWEVER, OVER APPARENT COMPLEXITY OF IMPLEMENTING THIS CONCEPT. WE RECOMMEND YOU GIVE PARTICULAR ATTENTION TO IMPLEMENTATION DESIGN. SPECIFICALLY.

--(A) WE APPRECIATE ANNEX IV ON PROGRAM IMPLEMENTATION BUT ASSUME PP WILL BE MORE PRECISE IN TRACKING ADMINISTRATIVE DECISION<MAKING AND FLOW OF FUNDS IN PROJECT. ALSO, SUGGEST PP SPELL OUT HOW DIFFERENT DEMAND AND SUPPLY-SIDE UNITS WILL DEVELOP AND FORWARD SUB-PROJECT IDEAS, GAIN APPROVALS, RECEIVE FUNDS, CONTRACT FOR GOODS AND SERVICES, AND MANAGE IMPLEMENTATION, OPERATION, AND MAINTENANCE OF SUB-PROJECTS.

--(B) WE HAD A NUMBER OF QUESTIONS ABOUT PROPER ROLE PROPOSED IAC WILL PLAY IN A PROJECT THAT IS TO FOSTER DECENTRALIZATION. DOES THE IAC ROLE DIFFER FROM WHAT EXISTS FOR BVS AND HAS BEEN PROPOSED FOR PROVINCIAL CITIES? WE BELIEVE WE UNDERSTAND ROLE IAC COULD PLAY-- FOR EXAMPLE, HELPING MISSION ITSELF AVOID ROLE OF SERVING AS A PARALLEL GOVERNMENT TO DIFFERENT GOE LEVELS WITH REGARD TO SUB-PROJECTS. PAGE 27 OF THE PID DRAWS A PARALLEL TO BVS, BUT IT IS NOT CLEAR WHETHER GOVERNORS ARE TO BE EXCLUDED FROM THE IAC. IF INCLUDED, WILL THEY BE OUTNUMBERED BY REPRESENTATIVES OF THE CENTRAL MINISTRIES? WILL THE IAC HAVE VETO POWER OVER INDIVIDUAL SUB-PROJECTS? COULD IAC FUNCTION AS AN ADVISORY RATHER THAN AS A STEERING BODY, THUS PROVIDING A CENTRAL POINT OF CONTACT BETWEEN GOE MINISTRIES AND GOVERNORATES BUT OPTIMIZING DECENTRALIZATION OF AUTHORITY? HOW WILL THE MAXIMUM AUTONOMY BE PROVIDED DISTRICTS IN DETERMINING THEIR OWN PROGRAM PRIORITIES?

--(C) WE ALSO WERE CONCERNED THAT USAID ITSELF NOT BECOME TOO OPERATIONALLY INVOLVED AT SUB-PROJECT LEVELS. FOR EXAMPLE, WE ASSUME MISSION WILL NOT BE REVIEWING INDIVIDUAL SUB-PROJECTS EXCEPT AS THEY APPEAR IN ANNUAL PLAN SUBMISSION, PROJECT DESIGN SHOULD TAKE INTO FULL ACCOUNT STAFFING AND WORK LOAD IMPLICATIONS ON MISSION.

3. PID INDICATES THAT SUB-PROJECTS, TOGEATHER WITH SERVICE PROVIDED BY A TECHNICAL ASSISTANCE CONTRACTOR WILL CONTRIBUTE TO REALIZATION OF THE PROJECT'S PURPOSE OF INSTITUTION-BUILDING. ALTHOUGH WE UNDERSTAND SOME OF THE LINKAGES BEING PROPOSED, WE RECOMMEND THAT PP CLARIFY HOW THE SUB-PROJECTS EXECUTED WILL FOSTER INSTITUTION-BUILDING.

4. IN ADDITION WE HAD THE FOLLOWING COMMENTS:

--(A) WE BELIEVE IT IS IMPORTANT TO PRESERVE FLEXIBILITY OF PROJECTS WITH REGARD TO SUB-PROJECT SELECTION CRITERIA. AS PID INDICATES, YOU ARE PREPARED FOR SUB-PROJECT NON-STARTERS AND FAILURES. WE BELIEVE THAT INITIAL SUB-PROJECT SELECTION CRITERIA WARRENTA PERIODIC REVIEW IN ORDER TO IDENTIFY AND EXCLUDE INAPPROPRIATE ACTIVITIES IN FUTURE. WE ALSO ASSUME SELECTION CRITERIA WILL EXCLUDE SUB-PROJECT ACTIVITIES IN PROSPEROUS NEIGHBORHOODS AND WILL FOCUS ON LOW<INCOME BENEFICIARIES.

--(B) ECONOMIC DISCUSSION SECTION OF BVS PP MAY BE USEFUL MODEL FOR ECONOMIC ANALYSIS OF PROPOSED NUS.

--(C) WE ASSUME THAT BY THE TIME THE PP IS PREPARED, THE MISSION WILL BE ABLE TO MORE SHARPLY RATIONALIZE SUB-PROJECT SCOPE AND MAGNITUDE LIMITATIONS AND NUMBERS, ANNUAL ACCELERATION RATE OF SUB-PROJECTS EXECUTED, AND TOTAL PROGRAM SIZE AND LOP.

5. THE NEAC DOES NOT REQUIRE A CABLE RESPONSE TO ITS CONCERNS BUT THEY SHOULD BE ADDRESSED IN THE PP.

6. WE WELCOME ANY QUESTIONS YOU MAY HAVE RE OUR CONCERNS BUT NO CABLE RESPONSE IS REQUIRED. NEAC LOOKS FORWARD TO HOW CONCERNS ARE ADDRESSED IN THE PP.

7. RE BROWN TO WHITE LETTER, NEAC FELT EMBASSY CONCERNS WERE PERSUASIVE AND THAT FINANCING FOR FACILITIES IN QUESTION SHOULD NOT BE ELIGIBLE UNDER THE NUS. HAIG

#9923

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET (PID)

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Revision No.

DOCUMENT CODE: 1

COUNTRY/ENTITY: Arab Republic of Egypt

3. PROJECT NUMBER: 263-0153

BUREAU/OFFICE: Near East — A. Symbol: NE — B. Code: 04

5. PROJECT TITLE (maximum 40 characters): Neighborhood Urban Services

ESTIMATED FY OF AUTHORIZATION/OBLIGATION/COMPLETION

A. Initial FY: 81

B. Final FY:

C. PACD: 85

7. ESTIMATED COSTS ($000 OR EQUIVALENT, $1 =)

FUNDING SOURCE		LIFE OF PROJECT
A. AID		88,000
B. Other U.S.	1.	
	2.	
C. Host Country		11,200
D. Other Donor(s)		
TOTAL		99,200

8. PROPOSED BUDGET AID FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. PRIMARY TECH. CODE 2. Loan	D. 1ST FY 81 1. Grant	D. 1ST FY 81 2. Loan	E. LIFE OF PROJECT 1. Grant	E. LIFE OF PROJECT 2. Loan
ESF	720	720		20,000		88,000	
TOTALS				20,000		88,000	

SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 710 | 790 | 890

10. SECONDARY PURPOSE CODE

SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code							
B. Amount							

PROJECT PURPOSE (maximum 480 characters)

Expand and strengthen institutional capabilities in Cairo and Alexandria to undertake actions needed to improve public services and infrastructure.

RESOURCES REQUIRED FOR PROJECT DEVELOPMENT

Staff:

a. 6 technician weeks - NE/TECH direct hires
b. 8 consultant weeks - Mission funded

Funds

a. $ 4,000; LE 6,000
b. $20,000

ORIGINATING OFFICE CLEARANCE

Signature: Donald S. Brown

Title: Director

Date Signed: MM 3 DD 11 YY 81

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

PROJECT DOCUMENT ACTION TAKEN

S = Suspended
A = Approved
D = Disapproved
CA = Conditionally Approved
DD = Decision Deferred

17. COMMENTS

ACTION APPROVED BY

Signature

Title

19. ACTION REFERENCE

20. ACTION DATE: MM DD YY

AID 1330-2 (8-79)