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PL 480 TITLE III EVALUATION
BASIC VILLAGE SERVICES
EGYPT

TITLE
- III

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PREFACE

The first PL 480 Title III program was signed by the Government of Egypt and the Government of the United States on March 20, 1979. The agreement provides for an evaluation to be carried out annually to provide a basis for decisions on future funding. The USDA contracted for the services of Dr. Richard Newberg who spent the period January 21 to February 10, 1980 in Egypt. He was joined by Dr. David Kunkel, USDA, for the second and third weeks. Together with GOE and USG officials they reviewed background documents, project procedures and progress to date and visited project implementation sites in 2 of the 3 governorates where meetings were held with officials at the governorate, markaz and village banks. This report is a summary of the findings from these reviews, discussions and field visits. Recommendations are made on future project activities.

SUMMARY AND RECOMMENDATIONS

The PL 480 Title III program in Egypt had as its goal reinforcement and strengthening of decentralized local government to more effectively support agriculture and rural development. The objectives describe the desired operational relationships among governing entities which places most of the decision making on priorities at the local level, in the hands of the village council, and provides technical and financial support - from officials of governorate and national agencies stationed at the Village, Markaz, governorate and national levels. The Organization for Reconstruction and Development of Egyptian Village (ORDEV) has top level planning, administrative and coordinating responsibility for the program.

The Title III agreement, signed March 20, 1979, obligated \$15 million FY 1979 PL 480 funds to be used to import grain with the equivalent value to be deposited in a special account and used to implement economic and social development projects to be executed by village councils at village levels. The program is described as a 5-year program with \$15 million to be provided each year. Imported commodities arrived in May - June 1979. The Ministry of Supply deposited the equivalent value in LE in the Central Bank in June - September. The funds were deposited in the special account in the National Bank for use of the project in November. The planning and project submission and approval proceeded *Pari Passu*. By December 235 projects to be executed in 365 villages were approved and Funds transferred to the villages in January and work started immediately.

With the transfer of the funds to the village level the requirements for loan forgiveness under the terms of the agreement have been met. The GOF should provide the necessary documentation and request that this be applied as debt forgiveness. The country team should then certify that this has been accomplished and notify the Commodity Credit Corporation (CCC) of USDA.

By early February Canal work was well advanced in

villages visited in Fayoum Governorate with most of the Canal work expected to be completed in February before irrigation water would again be released into the Canals. Canal work was started first since it had to be completed during the time the water was turned off. Some road improvement programs had been started and other types of projects such as water, sanitation, biogas were to start shortly. It is likely that the projects will be completed on schedule with the funds generated in FY 1979 spent in CY 1980. In Sharkia Governorate, only potable water and road improvements were planned. In early February when projects were visited, work was underway in expansion of water supplies, but no work was yet underway under the Title III program which was to finance distribution. Within the qualifying types of projects, the establishment of priorities and selection of projects is largely left to the villages council with labor coming from the villages involved under local contracts or donated by beneficiaries. Design, financial management, construction, and audit capability and related services are generally adequate at least for traditional types of projects. There appear to be some special problems for which additional design work is needed, e.g., control of irrigation canal seepage, and erosion. The principal criterion now applied in appraising project impacts is cost per beneficiary. More rigorous evaluation of benefits per beneficiary and of distribution of benefits would be desirable. The project presently is oriented mainly to what might be classified as social development projects - potable water, roads, protection of homes from canal erosion and water logging, sanitation and biogas. These do have indirect production impacts. Roads have the most direct impacts on production and income. It would seem desirable to permit, even encourage, more direct production related activities in the future if this can be achieved without reducing the participatory role of village councils in establishing priorities and implementing projects.

The program as presently planned will provide about LE 5 million to each of 11 governorates over 5 years.

Allocations of resources from the regular budget to governorates are adequate to finance future operations and maintenance. The present level of Title III funding probably will permit reaching a high percentage of villages with basic services of the types being funded. Essentially 100 percent of the councils in each governorate will be involved in priority selection and project implementation of one type or another. However, if the project proceeds as well as it now appears, consideration should be given to expanding the program to other types of services and to additional governorates and villages, with the decision based on periodic reviews.

A considerable benefit should be derived from careful substantive monitoring and evaluation of the program and feed back of results into design and training of personnel by ORDEV and increasing its role in end evaluation, design and training. In addition to possible expansion of the Basic Village Services Program, there are several other possible candidates for Title III funding should such additional funds become available. These include:

- A major concentrated attack on more complex and up-to-new often intractable problems such as the growing water logging and salinity problems and increase in the lake level in Fayoum Governorate.
- A more general program aimed at improved management of water and reclamation of old and possibly development of new lands.
- Research and training directed at very specific, high priority problems such as water management, soil fertility, cropping systems.

These projects might combine AID or other donor FX financing with local currency generated under PL 480 Title III.

Specific Recommendations for the Next Amendment of the BVS

1. The program should be funded at the \$15 million

level agreed upon and commodities provided as soon as possible.

2. Strengthen the implementation capability at the villages and governate level by implementing an evaluation and training program. This should cover the planning, design and implementation of development projects. If insufficient funds are available from ORDEV a small part of the Title III funds should be reserved for that purpose.
3. More rigorous analysis of the benefits and distribution of benefits need to be made for projects submitted. Procedures could be covered in training sessions of governate and village level personnel.
4. Selection of a subset of projects for more intensive evaluation. The sample should be selected on a random basis and large enough to give a reliable estimate of performance. These should be evaluated as to cost benefits and distribution benefits as well as other factors.
5. Develop benchmark data for number of villages and percentage of persons having potable water, kilometer of roads, amount of canals currently lined and other basic data which can be used to indicate progress.
6. Consider broadening the categories eligible for funding under the BVS program to include more production oriented projects.
7. Evaluate for the next year funding whether additional funds could be used and in what way.

Additional Comments

The Title III program, like other PI 480 programs, is jointly programmed and administered by different agencies. It is therefore necessary for information and reports to be distributed among these agencies. For example while the Osman report was completed in April of 1979, it had not been received by USDA when

this evaluation started. It would have been of considerable use by USDA and by the team members prior to undertaking the evaluation. Specific reference should have been made to the report in replying to requests on progress of Title III program implementation.

A report was also due from the GOE in November. While not a great deal had been accomplished, a short report detailing the status of funds and guidelines given the governates, eligible categories and progress in selection of projects could have been made. The country team should remind the GOE about meeting such requirements in discussions on the next tranche.

In summary while acceptable progress was being made in preparing for and implementing the Title III BVS program since the signing of the agreement in March of 1979, the impression in Washington was that progress was slow and that implementation would fall behind schedule. These concerns could have been allayed by better reporting.

I- INTRODUCTION

A- Country Setting:

As of the beginning of 1980, the population of Egypt is about 40 million, increasing at a rate variously estimated at 2.25 to 2.75 per cent per year. Over half the total population lives in rural areas, dependent mainly on agriculture for a livelihood. Agriculture provides employment directly for about 40% of the total work force, contributes 25% of total GDP and has accounted for over half of total export earnings. The growth rate of agriculture is well below that of the economy as a whole and, as a result, agriculture's share of GDP has fallen. The recent agriculture growth rate of about 2% has been below the population growth of 2.25% to 2.75%, and much below the growth rate in quantity of food and other agriculture based products demanded by the population. As a result agriculture imports have been growing and farm based exports declining in real terms. An increasing proportion of total land has been going into direct or indirect production of commodities reflecting demands of population with growing real income - fruits and vegetables and products of animal origin. This shift has been accentuated by farm and consumer price policies which held down consumer prices and returns to production of major traditional domestic food and export commodities such as cotton, wheat and rice.

In general, the terms of trade have been unfavorable to farmers compared for example with food deficit countries where food product prices to farmers are maintained at or above the equivalent price C and F of imports. Similarly, investment in agriculture has suffered both from the disincentive for private investment (higher returns elsewhere) and the relatively low and suboptimally directed public investments. Agriculture investment in recent years has been running at below 7% of

total investment down from 25% in the mid 1960's despite apparent need, as indicated by low rate of increase in output.

Investment also apparently has been inadequate in agriculture related industry, trade and service such as marketing of agricultural products, processing, transport, supply of inputs and services.

Mean per capita income of rural people is substantially below that in urban areas (LE 375 Vs 550) and amenities such as access to potable water, educational opportunities, health and sanitary facilities, electricity, transport and modern communications media lower in rural than urban areas. The extent to which this lack of access is a constraint on growth in agricultural production, is not clear, but it is clear that it represents a real difference in levels of physical well being and opportunities to participate in improved quality of living associated with development.

Illustrative of the variation in access to modern facilities and services in rural areas, the percentage of rural population with electricity in the home varies from 52% in Damietta to only 6% in Sohag Governorate. The percentage with access to potable water varies from 97% in Damietta to 30% in Ismailia. Few rural families have access to modern sanitary facilities. A result of very limited availability of pure water and sanitary facilities is a high incidence of internal parasites and parasitic diseases which cause untold suffering, reduce productivity and life expectancy and reduce food intake/output conversion efficiency. As such, they have the same impacts as other factors inhibiting rate of growth in agricultural production and Egypt's efforts to reduce its dependence on agricultural imports.

B- The Basic Village Services Program

The Basic Village Services (BVS) program is aimed at redressing the disparity in access to and enjoyment of modern amenities and increasing the productivity of rural people. Beginning in 1975, the

Government embarked on a major effort to decentralize its rural development program utilizing the village council structure as the principal organization for identification and definition of needs, development of plans and execution of programs approved for financing by officials at higher government levels. These programs have been particularly devoted to provision of access to water meeting established standards of purity, roads providing access to outside markets and sanitary facilities - needs most frequently assigned highest priority by rural people. The program is not restricted to financing such facilities. It may include almost any facility or service widely desired and feasible at acceptable cost per person benefited.

The basic system of local government in Egypt is geared to decentralization. The GOE expects this to foster RD. Each village governorate comprises a popularly elected council, an appointed chief executive and representatives from the technical ministries. Each village council has jurisdiction over (and representatives from) one main village and several satellite villages. Each council is legally empowered to plan technical projects (with the help of technical ministries), contract for services, purchase equipment, and make payment. Furthermore, enactment of Public Law 52 has provided certain additional revenues to village councils for local use in addition to 75 percent of the central government taxes levied on agricultural land. Governorates and districts are organized along similar lines with emphasis placed upon encouraging these various entities to plan, organize and implement RD activities including BVS.

C- The Title III Agreement

One of the constraints to expansion of the program identified by the officials of implementing agencies of the Government of Egypt, and USAID was the lack of financial resources. To alleviate this constraint, the two governments, on March 20, 1979, signed an agreement for use of the counterpart generated from sale of approximately US\$15 million

worth of wheat and wheat products imported under PL 480 title III in FY 1979 to be used to finance priority development activities under the BVS program. While the agreement provided for only 1 year funding, it was understood that the commitment, subject to availability of fund and adequate progress, was for 5 years at the rate of approximately US\$15 million annually. In addition to the typical self help provisions, the relevant sections of the agreement bearing on program description, implementation and evaluation are as follows:

AGREEMENT, PART II

Item VI. Economic Development Purposes for Which Proceeds Accruing to Importing Country are to be Used

A. The proceeds accruing to the importing country from the sale of commodities financed under this agreement will be used for financing the Food for Development Program identified in Annex B. To the extent that the proceeds are not used for such purposes, they may be used for self-help measures set forth in Item V and for the following economic development sectors: agriculture and rural development. However, only currencies used for the Food for Development (Title III) Program will be eligible for credit for Title I loan indebtedness as set forth in Annex A, Item III.

B. In the use of proceeds for these purposes emphasis will be placed on directly improving the levels of the poorest of the recipient country's people and their capacity to participate in the development of their country.

Annex A, Item II. Responsibilities of the GOE

A. The GOE agrees to carry out the program detailed in Annex B. In carrying out such program, the GOE agrees that it will:

1. Use the proceeds generated from the sale of agricultural commodities financed under this

agreement to finance the development activities specified in Annex B in accordance with its provisions.

2. Submit on or before November 1 of each year during the period of this agreement a comprehensive report to the USG on the activities and progress achieved under the Food for Development Program, for the United States fiscal year ending September 30 including, but not limited to, a comparison of results with program targets, a specific accounting for commodities and funds generated, their uses, the outstanding balances at the end of the most recent fiscal year, and any recommendations of the GOC for modification and improvement of the Food for Development Program.

3. Maintain adequate records for not less than three years after completion of the program to permit review and audit by the USG of measures taken to implement the Food for Development Program.

B. The Government of Egypt agrees to establish a special account in which it will deposit the proceeds in accordance with Article II F of this agreement, and to maintain the special account subject to the following conditions:

1. The local currency equivalent of each dollar disbursement by CCC will be deposited not later than six calendar months after the date of disbursement by CCC, using the exchange rate specified in Article II F, as of the date of disbursement by CCC.

2. Local currency deposited will be disbursed for the program set forth in Annex B of this agreement.

Annex A, Item IV. Implementation of the Food for Development Program

A. The Food for Development Program, which is further described in Annex B, will consist of a five-year program that enables village councils in eleven of the twenty rural governorates of Egypt

to implement agricultural productivities and rural services infrastructure projects (basic village services-BVS) in the decentralized local planning and implementation mode now favored by the Government of Egypt.

B. The Food for Development Program will consist of the following activities to be carried out under the basic village services program: standpipe potable water; inter-village dirt roads; village storage facilities; main village sewage drains; sanitation facilities; village abattoirs and meat markets; irrigation and canals; household water connections; etc. Annex B amplifies the above description of the FFD activities.

ANNEX B

PROGRAM DESCRIPTION

Annex B, Item I. Goal

The goal of this Food for Development Program is to reinforce and strengthen decentralized local government in Egypt so that it more effectively supports agricultural and rural development. The Government of Egypt (GOE) has proposed a multi-year effort to enable village councils in 11 of the 20 rural governorates of Egypt to select and implement agricultural productivity and rural services infrastructure projects (Basic Village Services - BVS).

Annex B, Item II. Program Objectives

The following objectives will be met:

A. Public Law 52 will be implemented in such a way that the physical, social, and economic components of a rural development strategy will be effectively supported among all levels of government.

B. Government inter-ministerial coordination will effectively ensure that all policy, technical, and management inputs mesh in support of

village council Basic Village Services needs.

C. Popular participation in local economic development and the provision/distribution/operation of services and infrastructure will be effectively promoted through the village councils.

D. The Organization for Reconstruction and Development of the Egyptian Village (ORDEV) will be organized and operated in a manner that will effectively support the operations of the Title III supported Basic Village Services program.

E. Basic Village Services projects will be defined, designed and implemented in ways which most expeditiously meet village needs using available Egyptian technical advice and locally obtainable materials.

F. GOE will develop opportunities during the various stages of the Title III program so that World Bank foreign exchange inputs and USG-funded special technical assistance can be programmed into the operations, where appropriate.

G. The GOE will continue to provide financing of Basic Village Services activities during the period of the Title III program and thereafter.

Annex B, Item IV. Program Description

The PL 480, Title III, Food for Development Program calls for:

A. A five-year program with an approximate annual value of \$15,000,000 in Egyptian pounds to carry out the BVS program described in Annex A, IV, B above.

During the first year, the inter-agency committee will concentrate on Title III activities among three governorates chosen from Upper, Middle and Lower Egypt. Based on experience earned and comparative evaluation criteria developed during that year, additional governorates will be chosen for programming in

subsequent years.

B. Inter-Agency Committee Action

The Inter-Agency Committee is charged with formulating basic Title III planning and implementation procedures. It is chaired by a representative of ORDEV and contains representatives from the Ministries of Local Governments, Finance, Planning, Economy and Agriculture. After consultation with governorates the Inter-Agency Committee will approve a list of BVS categories that will be eligible for Title III funding.

C. Village Council Action

Upon being notified by the governorate of the approved list of eligible projects, village councils will submit detailed proposals to the governorate for review against governorate technical and policy criteria.

Once approved, the funds will be transferred from the Title III special account to the village council. This transfer mechanism is explained in detail elsewhere in Annex B.

Annex B, Item V. Implementation Procedures

A. General

Early in each U.S. fiscal year throughout the life of the FFD agreement, the GOE and the USG will agree on the specific quantity and value of PL 480 commodities to be supplied during that year and the program of development to be undertaken.

This Agreement will provide that the GOE capitalize a discrete Title III project account with the proceeds from the sales in Egypt of commodities financed under Title III. However, the GOE may elect to capitalize the account from general revenues in the amount to be financed under Title III, in which event the proceeds will be used to repay the General Revenue Account from which the Title III account has been capitalized. No disbursements to village accounts under

Subparagraph G below will be made prior to the delivery of the commodities as defined in Part I, Article III F, of this agreement. The amount of disbursements from the account shall not exceed at any time the value of CCC/USDA disbursements for the commodities which have been delivered.

B. Selection of Governorates

The initial three governorates in which BVS will take place have been designated. It is anticipated that new governorates will be added through subsequent agreements at the approximate rate of two per year, as selected by the Inter-Agency Committee of the GOE and the USG.

C. Selection of Eligible Sub-Project Categories

Each year the USG and the Inter-Agency Committee will develop an agreed-upon list of the BVS categories eligible for funding within each governorate covered by the agreement. The lists may differ for each locality. These lists will form the parameters of the annual BVS program in each governorate and will be consistent with governorate, regional and national planning guidance. An initial sum will be identified against each category for planning purposes, but governorates will be free to redistribute funds among the accepted categories. In the development of these lists emphasis shall be given to those projects which are directed at improving the access of the poor to an increased food supply and to improving the well-being of the poor.

D. Amendments to Sub-Projects Lists and Governorates BVS Budgets

Additions to the list of BVS categories for any governorate can be amended upon written agreement among the governorate, the Inter-Agency Committee and USG. Unless agreed upon by the USG, annual budget totals for governorates will not be subject to amendment, but unspent balances can be carried forward to the following year. Unless agreed upon

by the USG, annual governorate budgets will be uniform, with all governorates receiving the same total budget figure.

E. Governorate Procedures

When the Title III agreement is signed and the funds deposited in the central bank, each eligible governorate will be notified. Notification will take the form of a stated budget total for the year and a list of the eligible BVS categories against which village council planning and design can proceed.

Each eligible governorate will inform all village councils in that governorate and solicit detailed proposals. Using its own technical policy and priority criteria each governorate will then review the village council proposals and decide which should be funded, up to the annual budget limit. Insofar as practicable, each village council should receive some funds for projects in order that benefits from Title III programming may be as wide-spread as feasible.

The governorate will present its budget with the technically reviewed list of projects to be funded to the Inter-Agency Committee. The latter, as the central government's committee charged with formulating basic Title III planning and implementation procedures, will review for adherence to criteria of eligibility and budget. It will then forward approval to the Ministry of Finance and the Ministry of Planning. ORDEV will release funds from the special account to the governorates, earmarked according to project and village council. The governorate will notify the village councils that have reviewed approval and those councils together with their support village executive units will begin implementation of the projects.

F. Village Council Operations

The village council will be the implementing agent for each basic village service project. Under existing laws and regulations the council has full power

to handle all contracting, purchasing, etc. Technical specification of tenders, procurement documentation, etc., are approved or rejected by the government technical representative located in the village council, unless required at a higher level.

G. Disbursement for Credit of Offset Against Indebtedness

Village councils will make requests for funding of specified projects under this program. When technically reviewed and administratively approved, the GOW will transfer necessary funds from the Title III special account to the bank account of the village council against a signed project agreement. This transfer will be considered a disbursement in furtherance of the goals of the Food for Development Program and will be eligible for offset against Title III indebtedness. The Ministry of Finance will provide documented evidence to the USG of such disbursement from the special account and deposit into the village council account. In no event will credit of offset against indebtedness occur prior to the sale of commodities provided under this agreement in the importing county.

H. Funding Eligibility

Funds from the Title III special account are restricted in their use. Funds from this account can only be used to pay for costs in connection with approved BVS projects. ORDEV will certify to USG that advances to village councils are made in accordance with this policy.

I. Reporting

Village councils will submit monthly progress and completion reports to the ORDEV representative at the governorate level. The governorate will prepare quarterly reports and certifications of completion of work on projects which will be forwarded to ORDEV with copies to the Ministries of Planning, Economy, Finance and Agriculture. ORDEV will send the reports, after review and approval, to the USG.

II- ADEQUACY OF IMPLEMENTATION PROCEDURES, EVALUATION
METHODOLOGY AND BENCHMARKS

A- Goal

The stated goal of the Program is to reinforce and strengthen decentralized local government in Egypt so that it more effectively supports agricultural and rural development. A multi-year effort is proposed to enable village councils in 11 of the 20 rural governorates of Egypt to select and implement agricultural productivity and rural services infrastructure projects (Basic Village Services - BVS).

The goal is an ambitious one and in implementation broader in that it is intended not only to achieve the above stated substantial development goal, but also in the process to achieve significant improvements in facilities and services in villages in the 11 governorates to be selected. The priorities in project selection are to social (non production) rather than production increasing facilities. The priorities of villages are reported to be first on health related improvements such as pure drinking water, drainage and sanitation which are likely to have indirect but positive impacts on human productivity and input/output relationships as well as on physical well being of the population and second on roads.

Projects such as construction of retaining walls on canals to protect houses have a less clear impact on productivity and well being except for the few families directly affected.

Roads especially those which permit access by motor vehicles where only animal transport was possible before would be expected to have direct impacts on production and incomes. This would be especially true where farmers were enabled to market higher valued and more perishable products such as fruits, vegetables and dairy products. Whether lining of Canal walls will have a significant impact on water loss and consequently on supply available for irrigation and on reduction in water logging and salinity will depend on the local conditions. It could have

benefits significantly higher than costs, where major problems now exist. For most small irrigation canals and ditches lining cannot be justified at this time.

B- Program Objectives

The stated objectives are:

A. Public Law 52 will be implemented in such a way that the physical, social, and economic components of a rural development strategy will be effectively supported among all levels of government.

B. Government inter-ministerial coordination will effectively ensure that all policy, technical, and management inputs mesh in support of village council Basic Village Services needs.

C. Popular participation in local economic development and the provision distribution/operation of services and infrastructure will be effectively promoted through the village councils.

D. The Organization for Reconstruction and Development of the Egyptian Village (ORDEV) will be organized and operated in a manner that will effectively support the operations of the Title III supported Basic Village Services program.

E. Basic Village Services projects will be defined, designed and implemented in ways which most expeditiously meet village needs using available Egyptian technical advice and locally obtainable materials.

F. GOE will develop opportunities during the various stages of the Title III program so that World Bank foreign exchange inputs and USG-funded special technical assistance can be programmed into the operations, where appropriate.

G. The GOE will continue to provide financing of Basic Village Services activities during the period of the Title III program and thereafter.

The broad and general statements of procedural objectives do not lend themselves well to their early and precise evaluation. At the end of 10 months, the most that can be done is to infer from the approaches being taken and procedures promulgated whether the objectives are likely to be achieved. It is clear from both discussions in Cairo and field visits, that village councils are very actively involved in establishment of local priorities and in project implementation. In some cases, such as potable water and roads, where projects must extend across village lines, some villages must subordinate their first priorities to the broader markaz (district) or governorate needs and priorities. Conflicts, where they may exist between villages are resolved by their elected representative at the higher levels (markaz or governorate) with some inputs, of course, from technical and other non elected officials.

Statements of some of the objectives are so broad that full achievement is not possible and in some cases possibly not designed, e.g., under B it would not appear reasonable that all policy, technical and management inputs be required to mesh in support of village council Basic Village Service needs. That major or crucially important ones mesh would seem sufficient and hence, in evaluating results, it should be sufficient to know that major or critical elements have not been allowed to operate in conflict or out of consonance.

With respect to objective E, it is doubtful that most expeditious support should be the sole or even in some cases an important criterion of whether Basic Village Services are being well defined, designed and implemented with or without available Egyptian advice and materials.

Under Item C it might be adequate to satisfy ourselves that popular participation will be promoted through village councils without attempting to determine whether it is effectively being promoted.

With these caveats the evidence indicates that the GOE is moving on an acceptable course and at an acceptable rate of speed in achieving the program

objectives.

ORDEV (Organization for Reconstruction and Development of Egyptian Villages) is meeting regularly to monitor results. Necessary regulations and procedures have been promulgated, priorities identified by Village Councils in the 3 governorates, proposals received, reviewed, some sent back for improvement, again reviewed, and most approved. Funds have been transferred to Governorates and to Villages where they have been deposited and receipt acknowledged by Village financial officers. Contracts have been or are being let. Procedures are consonant with objectives, A,B,C,D, and E. Needs for involvement of IBRD in an early stage of FX inputs and AID TA are being identified.

There is considerable evidence of plans for continued support of the program at acceptable levels during and after US Title III assistance.

Specific actions taken, procedures established and quantitatively measured results will be discussed in more detail in Chapters III and IV.

C- Evaluation Methodology and Benchmarks

The agreement states that:

1. By the end of the first year of the Title III program, the GOF and the USG shall have developed an evaluation methodology and associated quantifiable benchmarks which will provide the basis for annual evaluations of the progress in achieving the program objectives identified in Section II of Annex B. Development and putting into operation of the evaluation methodology and associated benchmarks will be a key benchmark for the evaluation of the first years' progress of the Title III program.

2. The benchmarks to be utilized in reviewing progress by the end of the first year of the program will include:

a. Development of the list of BVS categories that will be eligible for Title III funding. This

list will include the categories suggested by the village councils that are appropriate for inclusion in the final BVS list.

b. The number and quality of specific project proposals and associated funding levels submitted by village councils for approval.

c. The number and quality of village council projects approved by the Inter-Agency Committee.

d. The amount of funds transferred from the Title III account to village council accounts for approved projects.

3. The evaluation methodology and associated benchmarks established and made operational by the end of the first year shall be incorporated into the second and subsequent years' program agreements. The benchmarks will include the general criteria presented below.

a. The GOE is continuing to make adequate levels of funding available to the project during the life of the project, and to the quantifiable degree to which the GOE has committed itself to increasing funding levels both during and after the project as defined in Item II (G) of this Annex.

b. Reinforce and strengthen decentralized local governments in a manner that will develop operational projects in support of agricultural and rural development.

c. BVS projects undertaken at the initiative of village councils are firmly planned, designed, engineered and operational under field conditions.

d. Special or regular institutional mechanisms are providing funds, technical support and policy actions for village projects.

e. Annual progress made towards (a) extending BVS operations to other governorates, and to, at least, 11 governorates by the end of the fifth year, and (b) citing selection and funding systems that will

insure at least 80 percent of rural village councils in targeted governorates are benefitting from BVS activities.

f. to assure that performance monitoring comparative evaluation reports are regularly carried out on BVS projects.

ORDEV was given responsibility on behalf of the Government of Egypt for monitoring and coordination of the project. An ORDEV special committee was established by Ministry Decree 64/1979 issued by the General Secretariat for Local Government to carry out ORDEV responsibilities. (reproduced at end of this chapter).

It established and put into operation a reporting system which provides monthly data principally on physical progress and expenditures at the village, governorate and national levels.

ORDEV meets monthly to review progress. It also reviews and passes on individual projects. Quarterly summaries of reports at the various levels are to be the principal bases for evaluation and in progress re-design. Copies of both monthly and quarterly reports are made available to USAID. Beyond the internal implementation reporting and review progress, there appears to be little planning by ORDEV for establishment of benchmarks and periodic monitoring. Benchmarks data which are fairly simple to collect and analyze such as data on amount of paved and unpaved roads, condition of roads, number of people served by water and sewerage systems and reporting of systems out operation, number of households served by electrical connections, and activity of certain marketing facilities could be used to appraise results. It is recommended that steps be taken to put such a data assembly and tabular summary into effect.

Routine report currently covers most of the items listed under para. 2 and para. 3. Reporting is focused mainly on the numbers and values of projects approved and funds transferred, contracting, expenditures and physical progress with less attention on qualitative appraisal of projects submitted or analysis of numbers

submitted and rejected (a,b,c,d), this seems appropriate at this stage of the project. The list of types of projects eligible (2a) was promulgated with instructions. A consultant provided by USAID helped identify needs and prepare initial proposals.

Criterion 3-C is a criterion for approval of Village proposal by GEDFV and 3-d is a standard operating procedure being followed. While 3-a and b are a part of the overall project plan, it is too early to measure results or to determine if this is adequately considered as part of evaluation plans.

Re 3-f and audit, the project has plans for continuous monitoring and audit to identify village projects which are not being implemented as planned, with action planned as necessary to overcome such problems when encountered.

This audit procedure should be adequate for USG purposes in granting or disallowing forgiveness. Greater attention would be desirable on:

1. Structuring a formal evaluation process and schedule for at least a sample of village projects in addition to in-progress evaluation and replanning.

2. Establishment of a formal procedure and schedule for handling items 3-a and b, and c (b) (adequacy of Government support to extend services to 80% of the villages). Investment funds are being increased rapidly. Maintenance may be more of a problem than the willingness of the Government to invest at levels sufficient to extend these basic services as called for in VI 3 e (b), to 80% or more of the "village councils". Monitoring and evaluation of maintenance should be covered in future evaluations.

A first report which was to have been prepared by November 1, 1979 was not found, but given the short period of project operation this is understandable.

D- Audits

Should audits reveal that a project has not

been completed or is not up to prevailing acceptable standards of construction and progress, the GOE will be formally notified of the deficiency. Based on the audits, the USG reserves the right to disallow forgiveness in cases of gross or persistent deficiency.

Audits are scheduled in accordance with the above. They will be conducted on an annual basis and in greater depth on an irregular basis should quarterly review indicate a need for more intensive analysis/audit.

E. Monitoring

The monitoring is a continuing process involving monthly reporting of monetary transactions, physical progress and problems encountered. In addition technical and administrative personnel of government agencies working with various projects routinely report problems and irregularities through their regular channels. Beyond the above as of the present, formal annual evaluation of individual village level projects have not been scheduled. It is suggested that a scientifically designed sample be selected for evaluation in depth instead of attempting to evaluate all the village projects each year.

Documents setting forth steps and procedures to be followed and current status of the projects are summarized in the appendix to this Chapter, these include:

- A summary of steps in selection and implementation procedures.
- An outline of audit and monetary procedures.
- A translation of instructions of financial guidance and operating procedures.
- Translated copies of reporting forms at village, governorate and ORDEV levels.

STEPS IN SELECTION IMPLEMENTATION AND MONITORING PROCESS
FOR EVS (1)

- 1) Governorate sends priority parameters and funding level based upon LE/Capita to village executive council. Village executive council prepares proposed list of village priority projects.
- 2) Priority list submitted to elected village council for approval.
- 3) Elected village council approves and communicates approval to executive council.
- 4) Village priority list sent to Planning and Follow-Up Unit at Governorate with information copy to the Markaz.
- 5) Governorate consolidates all village priority lists and sends to interagency committee under chairmanship of ORDEV. Committee and USAID/Cairo approve.
- 6) USAID deposits funds in Central Bank.
- 7) ORDEV authorizes Central Bank to transfer approved EVS funds to Governorate Service Account and formally notifies Governorate of approval.
- 8) Funds transferred from Central Bank to Governorate Treasury Service Account.
- 9) Governorate officially notifies village executive council of interagency approval.
- 10) Village Council requests Markaz assistance in preparing engineering drawings, bills of quantities and tender specifications as required.
- 11) Markaz passes on request for technical assistance to Governorate level technical units as required.
- 12) Technical documents prepared by Governorate technical units and/or Markaz technical units and sent back to village executive council.
- 13) Upon completion of engineering documents and bid specifications by the designated technical unit, Governor authorizes transfer funds to Service Account in Village Bank.

(1) This section was obtained largely from an October-November 19 study by Development Alternatives Inc. : "Egypt: Basic Village Services, financial and Technical Assessment."

- 14) Village executive council advertises the tender, evaluates bid with assistance from Markaz and Governorate, as required, and makes award to contractor.
- 15) Contractor mobilizes and executes project.
- 16) Village council authorizes progress payments against contractor invoices.
- 17) Village bank disburses funds to contractor.
- 18) Village executive council monitors construction progress.
- 19) Village executive council sends monthly status reports to Governorate Planning and Follow Up Unit showing details of fund disbursements for each project and percentage of completion.
- 20) Monthly and quarterly status reports sent by Governorate to the interagency committee.
- 21) Interagency committee sends copy of monthly and quarterly status report to USAID.

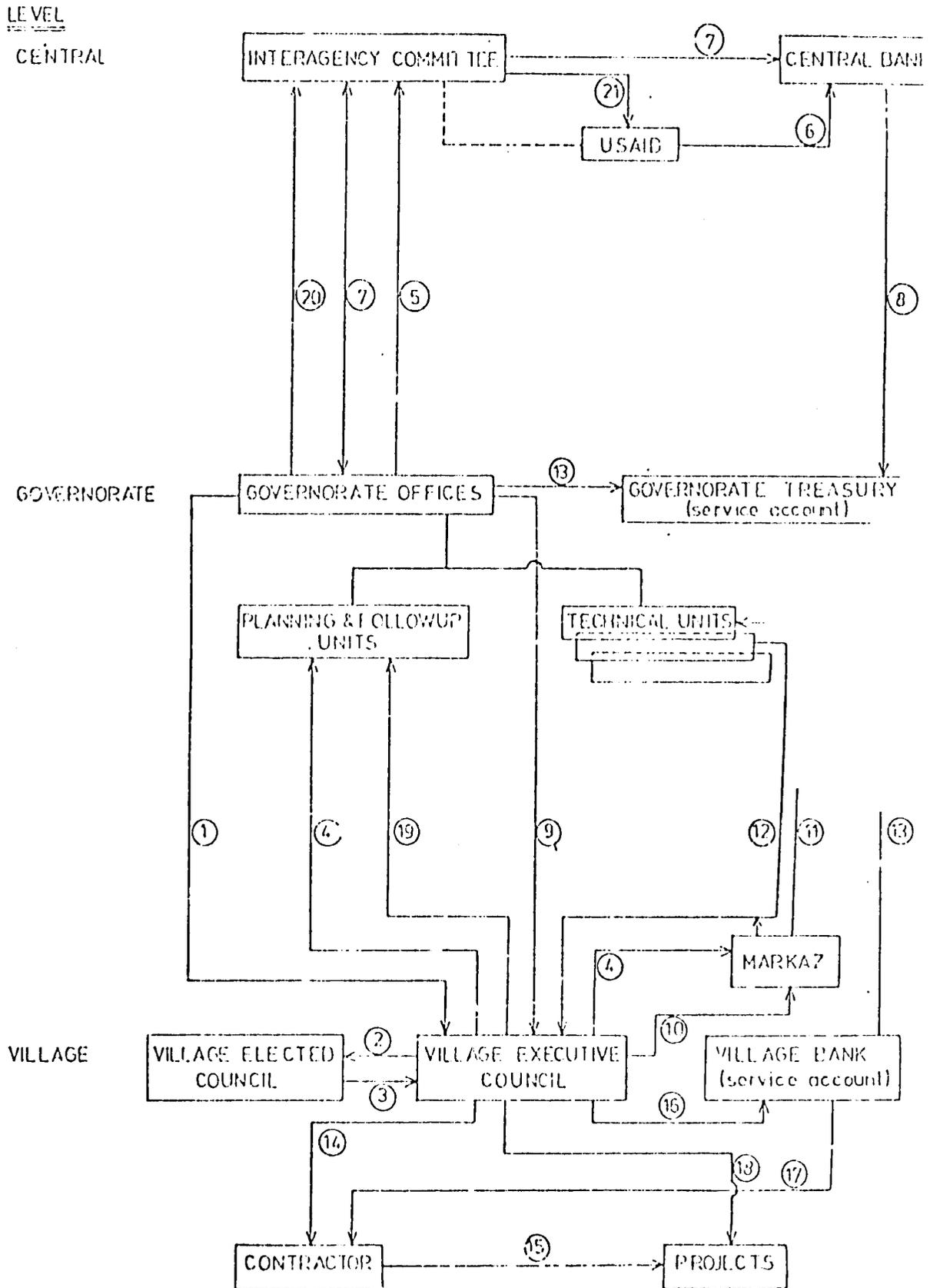
SUMMARY OF MONTHLY AUDIT PROCEDURES

- 1) Examination of all expenditure vouchers to insure quantities purchased are consistent with bill of quantities in engineering designs and that vouchers have been stamped and contain no erasures, according to legal requirements.
- 2) Review of village account books to insure that all expenditure vouchers have been entered and that books are serial numbered and all pages are officially stamped.
- 3) Review of all project records including the contract start-up dates, previous disbursements and disbursements during current month, and consistency of expenditures with project budget and percentage of completion to date.
- 4) Examination of cash book to determine cash on hand, verification of this amount and general review of expenditures and receipts.

Any deficiencies or questions are noted in the report and require response and/or remedial action on the part of the Village Council.

An illustrative flow diagram showing procedures for planning and financial management of village level projects may be found on the following page.

PROJECT SELECTION IMPLEMENTATION AND MONITORING PROCESS FOR BVS IN GOVERNORATES



EGYPT BASIC VILLAGE SERVICES
PROGRAM IMPLEMENTATION DIAGRAM

ORDEV

GUIDANCE ON THE FINANCIAL SYSTEM

BASIC VILLAGE SERVICES PROJECTS
(Food for Development Agreement)

First: Preparing the Budget

The committee, which was formed by Ministerial Decree no.64 for 1979, in cooperation with the Agency for International Development shall :

- 1- Prepare an annual budget covering all of the projects financed under this agreement within the limits of LE 10.50 million. Such projects shall be proposed by Governorates.
- 2- Reviewing annual actual budget and approving such budget.
- 3- Informing all ministries represented at the committee of annual allocations.
- 4- Obtaining Ministry of Planning's approval on the annual plan.

Second: Executing the Budget

- 1- General Authority for Supply Commodities shall deposit all revenues from selling wheat shipments which were procured according to the agreement into the Central Bank of Egypt (Ministry of Finance, ORDEV, Food for Development Agreement/Basic Village Services). This amount should equal the sum of US\$15 million annually (LE 10.5 million) for five consecutive years.
- 2- These funds are to be allocated immediately to selected Governorates on the basis of total cost of projects in each Governorate as mentioned in the approved annual plan and in accordance with the Deputy Minister's (Chairman of ORDEV) decree regarding the authorities granted to responsible officials for executing and following up on the budget.
- 3- Respective Governorates shall forward village councils which fall under its jurisdiction with required allocations to execute all the projects which were approved and included in the
- 4- Concerned Village Councils shall take all necessary procedures to execute projects which lie under its jurisdiction according to the accounting regulations mentioned in (Third).
- 5- Contracting for works other than those which were approved for the project is prohibited, any requests for funds for

purposes other than the approved ones must be reviewed and approved by the committee or whoever the committee authorizes to act on its behalf.

- 6- Diverting allocations from one purpose to another is prohibited, expenses should only be debited to its respective project and not to any other project.
- 7- The Committee, or its authorized representative has the right to use the surplus achieved by any project to cover any unforeseen increase in the cost of executing any other projects at the same Governorate and within the limits of total annual allocations.
- 8- Budget surplus is carried forward from one fiscal year to another, and shall be used to complete the rest of approved projects.
- 9- Governorates and Village Councils are to abide by the time tables and by funds allocated for each project.
- 10- Various project expenses shall be booked using the cash basis (actual expenditure) accounting system.
- 11- Fiscal year shall start in January and end in December.

THIRD - ACCOUNTS

- 1- In each village, the accounting unit shall be responsible for disbursements on projects under execution in the same village. The unit shall maintain separate books for each project.
- 2- All articles of the financial regulations, accounting system, regulations for tenders and bidings, and other Egyptian financial regulations shall be honored unless otherwise stated.
- 3- Each accounting Unit shall furnish ORDEV department at Government level with a monthly report showing funds disbursed and received for each project taken from actual records mentioned by each project. This report should be sent to the department on the tenth day of each following month. The department in turn, shall aggregate these data on Governorate level and mail it to ORDEV headquarter in Cairo after endorsing such data technically, administratively, and financially from the designated authority.
- 4- ORDEV shall maintain central accounts for all projects in all Governorates; posting in these accounts shall be done from the monthly data which will be sent from the various accounting units in different Governorates.
- 5- At the end of each fiscal year, ORDEV shall prepare an end-of year account for all projects showing actual disbursements, budgeted disbursements and differences with explanations for deficit and surplus

Form (1) Village

Governorate : _____

District _____

Village . _____

Report No. (_____)

Food for Development Special Account
Activities
(Basic Village Services Projects)

Village _____

Month _____ Year _____

Opening Balance _____

Deposits _____

Total Balance _____

Disbursed _____

Closing balance _____

Chief Accountant

Name: _____

Sign. _____

Village's Chairman

Name: _____

Sign. _____

Chairman of Local
Popular Council

Name: _____

Sign. _____

Governorate: _____

District : _____

Village : _____

Report No. ()
Follow-Up report on Food for Development
Program

(B.V.S. Projects)

The month of: _____ Year _____
Project: _____

1. Financial Activity

Opening balance
Deposits
Funds available during the period
Disbursed
Closing Balance

2. Implementation:

A. Name of Bank where funds are deposited _____
Amount deposited _____ Acct. No. _____
Date Deposited _____

B. Date when the call for bids was announced _____
Number of bids submitted _____
The Committee which decided on bids were composed of
the following people: _____

Date the decision was made _____
Date of work order was issued _____
Engineer supervising execution _____
His agency _____

C. Works completed:
(Detail all works executed during the month and its value,
then provide information about the work which was completed
since the beginning of project until the end of this month)

Projects technical supervisor
Name: _____
Sign. _____

Village chairman
Name: _____
Sign. _____

Chairman of Local Popular Council
Name: _____
Sign. _____

Governorate _____

Form (1) Gover.

Report NO ()
Food for Development Special Fund transaction
Activities
(B.V.S. Project)
in villages of the Governorate for Month _____ Yr _____

Villages	Opening Balance	Deposits	Available Funds	Disbursed	Closing Balances
----------	--------------------	----------	--------------------	-----------	---------------------

Governorate accounting controller
Name _____
Sign. _____

Testimony

We hereby testify that:

1. An audit of the financial and ^{physical} ~~lineal~~ activity of the above mentioned projects was made. The audit found the documents attached accurately reflect the position of the various EVS projects which are being financed through the Food for Development joint program between the USMD and the GOE for 1979.
2. Funds were disbursed to finance approved activities and works in accordance with the Project Agreement.

Director of Village Development

Director of Tech. Agency

Name _____
Sign. _____

Name _____
Sign. _____

Governorate Secretary General

Name _____
Sign. _____

Governorate : _____

District : _____

Village

Certificate of Deposit for Food for
Development Program Funds
(Basic Village Services Projects)

The undersigned hereby certifies that funds allocated for
village's Basic services project which are being financed
according to the Agreement between the USAID and the GOE,
have been deposited as follows:

Amount : _____

Bank : _____

Acct.No

Date of Deposit: _____ Voucher No.: _____

Chief Accountant

Village Chairman

Chairman of Villages
Local Popular Council

Name: _____

Name: _____

Name: _____

Sign. _____

Sign. _____

Sign. _____

Seal

Note: This certificate should be made of one original and
two copies. Original and a copy shall be sent to the
Governorate which shall forward the original accompanied with
the aggregate report to ORDEV and keep the copy.

ORDEV

Basic Village Services

Governorate _____

Details of Food for Development
Funds deposited in Banks for
Basic Village Services
Projects _____

Village	Amount LE	Name of Bank	Acct.No.	Date of deposit
---------	--------------	--------------	----------	-----------------

Governorate Accounting
Controller

Director of ORDEV
in Governorate

Governorate Secretary
General

Name: _____

Name: _____

Name: _____

Sign. _____

Sign. _____

Sign. _____

Date: / /79

Seal

ORDEV
B.V.S.

Report No. ()
Food for Development Special Account
(Basic Village Services)
During the period from _____ to _____

Opening Balance _____
Deposits _____
Total Available Funds _____
Disbursed _____
Closing Balance _____

ORDEV's Accounting Controller

Name: _____
Sign. _____

We hereby testify that:

1. An audit was made on the financial and physical activities of the projects mentioned in the attached documents. These documents were found to be accurately reflecting BVS projects position which are being financed through the Food for Development joint program between the USAID and the GOE for 1979.

2. Funds were disbursed to finance approved activities and works in accordance with the project agreement.

Undersecretary and Director
General of ORDEV

Director of Executive unit/ORDEV

Name: _____
Sign. _____

Seal

ORDEV
B.V.S.

Follow-Up Report
Food for Development Program
(Basic Village Services)
During the period from _____ to _____

Financial activities

Opening balance
Deposits
Total available funds during the period
Disbursed
Closing balance

2. Implementation activities

A. Governorate X

* Approval is obtained to implement the following projects

<u>No.</u>	<u>Description</u>
_____	Potable water projects in _____ villages
_____	-----
_____	-----

* Procedures taken to implement these projects

- Project _____
detail all procedures and works executed and its value,
also give details about the project's financial status.

- Project _____

- Project _____

Seal B- Governorate Y

Director of executive units ORDEV/Government Accounts'Control

General Secretariat for Local Government

The Minister

Ministerial Decree
No. 54 of 1979

Minister of State for Local Government

After reviewing Law No. 47 of 1978 regarding civil employees,
Law no. 52 of 1975 regarding Local Government and its executive
regulations,

The Minister of Economy and Economic Cooperation Decree No. 92
of 1978,

The Agreement which was concluded between the Government of
Egypt and the U.S. Government concerning Basic Village Services
projects,

The Memorandum presented to us by the Deputy Minister, Chairman
of CRDEV,

and the concurrence of the responsible agencies for nominating its
representatives to the mentioned committee,

We have decided that:

Article One:

A committee headed by Mr. Dakrouy Mohamed Sabet, General Director
of Development at CRDEV shall be formed, the following gentlemen shall
be appointed members to this committee

Ministry of Finance Representatives

1. Mr. Abdel Fattah Darwish, General Director of Finance and Loans,
2. Mr. Hassan Abdel Aziz Eid, Chairman of Foreign Loans Division
and General Finance Department

Ministry of Planning Representatives

1. Mr. Fathi Abdel Baki El Sheikh, Chairman of Village Development
Department at the Central Department for Regional Planning
2. Mr. Moustapha Radwan, Chairman of Trade Agreements Division

Ministry of Economy Representatives

1. Mr. Hussein Eflaat El Serki, Director of U.S. Division at the
Ministry of Economy
2. Mr. Nabil Gulami, Member at the U.S. Division (Ministry of Economy)

Ministry of Agriculture Representatives

1. Mr. Magdi Abdel Gawad, General Supervisor for International Relations
2. Mr. Ali Rashad Mohamed, Chairman of Cooperation Bureau with the U.S.

Organization for REconstruction and Development of Egyptian Village
Representatives

1. Mr. Moustapha Abdel Aziz Mohamed, General Director of Financial and Administrative Affairs

Local Government Representatives

1. Mr. Khaled Abdel Rehim El Sedawi, Director of Organization and Training

Article Two:

The committee is responsible for contacting the various agencies in charge of Basic Village Services projects in accordance with the above mentioned Agreement. The committee is to undertake all functions designated to it by the Agreement which was signed with the American side and any other functions which might appear in the future in respect to this Agreement and Basic Village Services.

The Committee has the right to call for its meetings all persons whose presence might be helpful for the execution of these projects.

Article Three:

All agencies in charge must execute this Decree each within the limits of its authorities.

Minister of State for Local Government

Eng. Soliman Metwalli Soliman

May 14, 1979

III - APPRAISAL OF CURRENT PROCESS AGAINST SPECIFIC PLANS AND BENCH MARKS

Progress from signature of the agreement, March 29, 1979 and first shipment of wheat essentially has gone according to schedule and better than normal on projects of this type. In part this reflects the sensible decision to operate the project in so far as possible within existing regulations and established procedures for village projects. Actions, schedules and actual accomplishments in implementation are outlined below with comments where accomplishment appears to have been above or below expectations.

A - PROJECT PRIORITIES :

Type of Basic Village Services eligible for title III funding.

The agreement set forth the qualifying types of projects and Consultant Dr. Atif Osman travelled widely in the governorates discussing alternatives and criterion to be applied.

Qualifying types of projects included standpipe potable water, intervillage dirt roads, village storage facilities, sewerage drains, abattoirs and meat markets, irrigation and canals, household water connections and others not specified. The major criteria were cost per beneficiary and that implementation be via council structures. Details contained in submissions (proposals) obtained from the villages through the governorates were quite limited. The submissions included the following :

- Statement of purpose: e.g. to provide clean potable water to the village or to provide access road.
- Description : e.g. to establish a water line providing water to 6 villages listed by name.
- Area served : Area described.
- Period : 1 year from receipt of funds.
- Executing Agency : Village Councils listed.
- Date of Implementation : 12 months from receipt of funds.

- Financing : AID Project grant.
- Cost : e.g. LE 650,000
- Detailed specifications :
 - 1) 1,000 meters of 7" pipes
 - 2) supporting tubewells of one 6" and one 8" pipe.
- beneficiaries :
 - Services: e.g. Potable water.
 - Number : e.g. 6,000 people.

The presumption is made that the technical people at the Governorate level had done an adequate job of design and costing. This may not always be true, e.g. in Sharkia, the cost of 141 k.m. of road to be surfaced with gravel was reported on our visit to be almost double the amount requested. The Governorate now plans to finance the balance itself. In the case of canal lining in Fayoum, additional consideration, such as water drop structures, may need to be incorporated in the design. ORDEV will need to work with Governorates on improving costing and design standards and criteria.

The criterion of cost per beneficiary, while useful in maximising the number of beneficiaries and perhaps the only possible beneficiary criterion in the initial phase, should be further refined. Some attempt should be made to measure the actual benefits per beneficiary and include this in a project selection such that a project which peripherally affects a larger number is not approved over a project of equal cost which has a major impact on a somewhat smaller number (and consequently has a higher cost per beneficiary.) Initially, it may be possible to apply only rather subjective measures of benefits per beneficiary, but even this would be better than no differentiating measures. Some Governorate officials said they attempt to do this.

B- PROGRESS IN PROJECT GENERAL IMPLEMENTATION :

Following is a schedule covering specific implementation actions to date:

March 20, 1979 : Project signature.

May 14 - June 7, 1979 : Arrival of commodities in 5 ships.
June - Sep 1979 : Deposit of equivalent value (LE 9,858,000)
by the Food Authority in the Central Bank.
November 1979 : Opening of the special account in the
National Bank and transfer of the funds
less 0.2% charge by the Central Bank.
November - December 1979 : Approval of projects totalling
LE 9,838,331.20 (total amount of funds).
December 1979 : Transfer of LE 9,838,331.20 to the three
governorates in the following amounts :

FAYOUM	:	LE 2,968,978 20
SHARKIA	:	LE 3,358,457.20
SOHAG	:	LE 3,400,895.20
TOTAL	:	LE 9,838,331.20

January 1980 : Transfer of the total to Village accounts for
235 projects in 365 villages.

This is the critical step to obtain loan forgiveness. The
necessary documentation should now be submitted by the COE
requesting that the amount be applied to loan forgiveness.
The embassy then certifies, as appropriate, and notifies CCC.

The progress report called for on Nov 1 covering action
through Sep 30, 1979 was not submitted. Given the late
start up this is not an issue for 1979, but should be done
on time in 1980.

C - INITIATION OF CONSTRUCTION:

In Fayoum Governorate where we visited Feb 2, 1980, construc-
tion had been started on canal improvement including lining,
wall stabilization, diversion structures and cleaning. In
two villages, it was reported 7 to 8 Km (each) had already
been completed. All the Canal work was to be completed by
mid-late February, when the canals would be refilled. After
that, work was to be started on roads, water supplies,
sanitation facilities, and pilot bio-gas projects. It
appears likely that expenditures and physical accomplishments
for 1980 will be as scheduled.

In Sharkia progress was somewhat slower because projects
were restricted to potable water and roads for which more

design and preparatory work was needed. It appears that expenditures and progress will be on schedule. Local workers in both governorates were to be involved, with, in some cases, donat labor.

- PROJECTS APPROVED:

Following is a listing of projects approved for which funds were advanced to the governorates in December 1979, and to the villages in January 1980

BASIC VILLAGE SERVICES' PROJECTS
SHARKIA GOVERNORATE.

Projects	No. of projects	No. of villages	Allocations	TOTAL
<u>Road Projects</u>				
Elevating and paving	16	16	834,822.20	834,822.20
<u>Potable water</u>				
Abbassa water works	27	27	1,758,635.00	
House connections	28	28	775,000.00	
				2,532,635.00
	71	71		3,369,457.20

BASIC VILLAGE SERVICES PROJECTS
SOHAG GOVERNORATE

Projects	No. of projects	No. of villages	Allocations	TOTAL
<u>Road Projects</u>				
building and paving of roads	28	71	1,192,756.00	1,192,756.00
Potable water	45	83	2,288,139.00	2,288,139.00
	73	154		3,480,895.30

Basic Village Services' Projects

Fayoum Governorate

Projects	No. of Projects	No. of villages benefiting	Allocations	TOTAL
<u>Road projects</u>				
Building new roads	18	32	672,100.00	
Roads widening	17	22	592,900.00	
Roads improvings	15	25	135,000.00	
				1,200,000.00
<u>Seepage & Sewage</u>				
Supporting canal banks	24	41	476,000.00	
Decreasing seepage levels	16	16	529,978.70	
Ponds and swamps filling	2	2	19,000.00	
Sewage	3	2	144,000.00	
				968,978.70
Bio-gaz (methan)	1		50,000.00	
				50,000.00
Potable water	1		520,000.00	
				520,000.00
Garbage to fertilizer conversion	1		250,000.00	
				250,000.00
	91	140		2,988,978.70

E -- QUALITY AND PRIORITY OF PROJECT:

Efforts were made in solicitation and approval of projects to obtain a cross section of different project types: Projects appear to reflect the real perceived priorities of the village representative. Though apparently accorded low council priority, some of newer project concepts such as bio gas were included in some areas as small pilot activities. These should be viewed as experimental and monitored very closely. The low cost of petroleum products in Egypt and the concentration of population in 3 - 4% of the area of Egypt which makes extension of electricity to all villages more feasible, are likely to make village bio gas projects relatively unattractive. Garbage to fertilizer projects also will bear continuing careful analysis for economic, administrative and technical feasibility.

Sharkia and Sohag governorates limited themselves to road and water projects -- the two types of projects for which villagers generally appear to assign highest priority.

F - AMOUNT AND TIMELINESS OF FUND TRANSFERS :

As shown earlier in December 1979, LE 9,835,331 were transferred from the Central Government to the 3 governorates and in January 1980 these funds were transferred to the villages. Eight to nine months to go through the various stages from organization through promulgation of instructions, preparation and review and approval of projects and finally allocation and transfer of funds is very good. That progress made thus rapidly is attributable to a widespread interest and efforts of many individuals involved from villagers, through councils, various local agency officials, and officials at governorate and national levels, and also the early and wise decision to follow closely the established procedures for decentralized project implementation via the village council mechanism. To avoid paying interest, necessary action to obtain forgiveness as outlined above should be completed 30 days before the first interest payment is due.

TRANSMISSION

DEC 26 1979

Arab Republic of Egypt
Local Government
General Secretariat
The Minister

Dear Governor of Sharkia
 Fayoum
 Sohag

I have the pleasure to inform you that Basic Village Services projects which were proposed by your Governorate, have been approved in accordance with the Food for Development Agreement (Basic Village Services) which was signed between the Government of Egypt and the American Government (AID).

Amounts of funds allocated to these projects are as follows:

Sharkia	LE 3,368,457.20
Fayoum	2,988,978.70
Sohag	3,480,295.30

Funds were sent to you in check numbers:

Sharkia	728453	dated	December	1979
Fayoum	728452	"	"	"
Sohag	728451	"	"	"

Please inform your staff to follow the following procedures:

- Disburse funds allocated to the projects which have been approved by Village Councils to village units in pursuant to the provisions of the Agreement.
- Deposit funds allocated to each village unit in a special account "Food for Development Account" Basic Village Services. A document certifying that such account has been opened must

presented to the Governorate's village Development Department (Specimen of certificate is attached).

ORDEV's Department in the Governorate shall use the attached form to collect the data pertaining to deposit of fund into village special accounts. Such data shall be sent to ORDEV, Cairo.

- Village local units shall itself execute the project, villages may seek the assistance of Technical, Financial Administrative Agencies at Districts or Governorates' levels.

- Every village unit shall prepare a monthly financial report (specimen 1, village), and a monthly execution follow-up report (specimen 2, village). These reports shall be sent to ORDEV Department at the Governorate before the 5th of the next month.

ORDEV/Cairo must be informed of the name and title of the Governorate's official who is responsible for the "Food for Development" Agreement.

I am certain that you shall extend all assistance needed for the execution and follow-up of these projects according to the Agreement with the American Government (USAID).

Minister of State for
Cabinet Affairs and
Local Government

Soliman Metwalli Soliman

O.R.D.E.V.

Translation

JAN 16 1980

Mrs. Ann Fitzcharles
USAID

In accordance with the Food for Development Agreement signed between the U.S. Government and the GOE on March 20, 1979 to implement Basic Village Services Projects through Title III Loan Forgiveness provisions I have the pleasure to inform you that funds allocated to village projects have been disbursed as follows:

Sohag Governorate	- Check for	LE	3,480,895.30
Fayoum	" "		2,988,978.70
Sharkia	" "		3,368,457.20
		<hr/>	
TOTAL		LE	9,838,331.20

Enclosed please find a list detailing the three Governorates projects. As you are aware, these projects were approved by the American side and ratified by Minister of State for Local Government.

Very truly yours,

Eng. Ahmed F. El Diftawi
Undersecretary for Local
Government and
Chairman of OPDEV

January 7, 1980

IV - FUTURE PROGRAM:

The original plan and the agreement visualize expansion of the program over 5 years to cover 11 governorates with 2 to 3 added each year. The levels of expenditure the first year in 3 governorates will utilize the entire amount generated in the first (FY 1979) tranche. Thus extension at this level to 3 new governorates each year clearly would not be possible unless the progress were to run for only one year in each governorate plus some tailing out in subsequent years. US AID has developed a financial plan to cover the eleven governorates with the tenth and eleventh beginning in the 5th year and some additional funding, above the originally planned \$75 million to be provided in the 6th, 7th and 8th years to finish the programs in the last 6 governorates where programs are initiated. The plan provides for a uniform programming of \$5.0 million the first year, \$1.6 - \$1.7 million the second, \$0.6 million the third, and \$0.2 million the fourth. Thus US\$6.6 million equivalent would be required for the last 3 years above the \$75 million originally planned.

Based on visits to governorates and discussion with ORDEV officials such a plan appears possible and to provide an orderly phasing out. There may however, be some question whether the high first year level is appropriate for all governorates. In practice, the first 3 governorates have not been equally funded despite the original indication of intent to do so. The shift to permit higher funding in some than others is realistic given the difference in needs and capability to develop and implement projects in different governorates.

The program as presently planned will permit the extension of basic services to a high percentage of the village. At an average of LE 5.0 per beneficiary or less which is fairly representative of projects approved, slightly over LE 5.0 million per governorate could reach essentially all the villages, the first year. In the 3 governorates, 235 projects will be provided, benefiting 365 villages as follows:

47 a

- Assumptions:
 a) 5 years of Title III funding
 b) \$15 million/yr Title III
 c) Continued GDP support
 Past 5 years

BASIC VILLAGE SERVICES FINANCIAL PLANNING SHEET

(Figures are million of US\$)

Category	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	TOTALS
Year 1	5.0	5.0	5.0																		15
Year 2	1.7	1.7	1.0	1.0	1.0																15
Year 3	0.6	0.6	0.6	1.0	1.0	5.0	5.0														15
Year 4	0.2	0.2	0.2	0.6	0.6	1.0	1.6	0.6	5.0												15
Year 5	-	-	-	0.2	0.2	0.6	1.0	1.6	1.6	5.0	5.0										15.4
Year 6)	-	-	-	-	-	0.2	0.2	0.6	0.6	1.0	1.0										4.8
Year 7)	-	-	-	-	-	-	-	0.2	0.2	0.6	0.6										1.8
Year 8)	-	-	-	-	-	-	-	-	-	0.2	0.2										0.4
Year 9)	-	-	-	-	-	-	-	-	-	-	-										-

FAYOUM	91 projects	140 villages
SOHAG	73 projects	154 villages
SILSILIA	71 projects	71 villages
<hr/>		
TOTAL	235 projects	365 villages

Officials have attempted to spread benefits as widely as available projects and operational capabilities permit. Essentially all the village councils will be involved, though not all the people. In new governorates, with more time to plan, the spread could be even greater.

In discussion with ONDSEV officials there were indications that ONDSEV is thinking of initiating 3 new governorates from FY 1980 funds. This would require more funds or a shift from the orderly program visualized in the attached schedule. Unless additional funds can be provided it would be better to start 2 new governorates in 1981 (from FY 1980 funds.)

One question is the ability to maintain the facilities once they are constructed. This depends on financial resources, technical capability and adequacy of original designs and construction. Considering the rapid increase in funds being allocated to the governorates, financial resources should not be a problem. Technical capability also appeared adequate in governorates visited. Construction work observed was restricted to canal work which appeared adequately executed to design specifications, but whether designs adequately reflect special conditions and problems is something we were unable to check. We did observe some canal wall construction where there may be problems when, for example, the canal dropped rather rapidly and no canal floor nor crop structures were planned. In some cases lining may impede desired seepage of water into the Canal. Assuming such initial problems can be dealt with, maintenance should be possible within available resources and capability.

hence, it is not recommended that a part of the project resources be programmed for maintenance.

It will be easier to determine adequacy of combined title III

and regular funding to reach the program objectives as more experience is gained. This should be a part of periodic evaluation with decisions on possible expansion of funding made in a year or two. There is a need for more funds in most of governorates. But the GOB may be able to expand its allocations. In Sharkia, for example, potable water will require an estimated Lm16 million while only about Lm5 million of title II and GOB funds combined will be provided in 1960. If title III were continued at present levels, the entire area could be covered in 4 years, otherwise it will take 6 - 7 years.

The government of Egypt with its own resources has recently been channelling increased funding through the governors to the local governorates for local investment programs of the type supported by title III. We were told by the Head of ORSEV on February 3 that the total budget for such investments excluding schools and hospitals which was Lm57 million in 1979 would be increased to Lm240 million in 1980. Despite this large increase funding from title III was considered particularly valuable for a couple of reasons. First, of course, it was an increase over otherwise available levels and was directed mainly to the most needy governorates. The regular budget for these governorates (excluding title III) is not affected. Thus the title III will be additional for the life of the title III support. After that the funding level will be the same as it otherwise would have been. Secondly, the project permits the direction of funds to certain high priority investments selected by the villagers. Other funds we were told just go into general governorate accounts and are spent without necessarily applying the same participatory prioritizing process. In addition, the reporting, auditing and evaluating process is expected to be somewhat more rigorously applied.

There seems to be some disagreement on the adequacy of the 5 tranches of Lm31 million each. Both ORSEV and governorate officials, who value the project highly, consider the level far short of meeting very high priority needs even for the 11 governorates. They also feel the existing administrative structure and technical staff is capable of efficiently handling

a much larger amount of resources. The amount of title III resources planned to the SVS program would, of course, only reach 11 governorates. Progress should be carefully monitored over the next year and, if the program moves as well as it appears to be moving now, consideration should be given to either increasing the amount of resources in 1961 and subsequent years to permit more rapid coverage of the given governorate and more governorates or, alternatively, an extension to bring in other governorates later. Consideration should be given to inclusion of projects which more directly have impact on production and, as discussed elsewhere, of applying more rigorous economic and cost benefits analysis.

B. Technical and Administrative Capability. Strengthening Plans.

1- NATIONAL LEVELS :

In general, staffs of ORDEV and the interested ministries appear adequate to perform their planning and preproject review and support roles. We feel, however, that it would be desirable to provide some specific support in project evaluation and dissemination of results for this particular project: The normal monetary and audit functions are likely to be carried out adequately, but some special input in review and analysis is desirable, especially if benefits of the experience are to be widely shared and capitalised upon.

2- Local Levels (Governorate, markaz and village levels) :

The councils and professional staff, at the village, markaz, and governorate levels must work closely together in project implementation. Initial priority selection, preliminary planning (council level) and financial management (including contracting and control, disbursement and accounting for funds) all appear to be adequate in terms of involvement, staff and procedures. Technical design, and monitoring, also appear adequate for traditional activities. However, additional training and experience

may be needed for some of the more complex planning, design and implementation activities especially those dealing with irrigation systems, water management, water logging, salinity and canal erosion. In final project prioritizing better measures than just cost per beneficiary should be introduced particularly more rigorous and quantitative measures of social and economic benefits and their distribution. Illustratively in Fayoum Governorate, canal walls were being constructed to control erosion of walls which was jeopardizing adjacent homes. The working was being rapidly executed and the quality of work appeared good. However, the number of direct beneficiaries likely would be small, limited mainly to families directly adjacent, but the benefits to each beneficiary potentially would be very large. Hence, the project probably would be fully justified on the basis of the benefits/costs ratio, though it would be misleading to suggest that it benefited all people in the village. Personnel should be trained in application of more adequate benefits analysis and in improving designs to meet special conditions.

CHAPTER V - RECOMMENDATIONS:

A - Future Funding of BVS:

The original agreement for BVS provided for 5 years at \$ 15 million per year to carry out programs in 11 governorates. It now appears that it will require a small amount of additional funds in the sixth year to complete the currently planned program in 11 governorates. While some governorates will not have benefited, a high percentage of the villages in the 11 governorates will have benefited. Funds from the GOE are expected to be sufficient to continue support for the services and facilities installed under the PL 480 title III program.

It is the view of some of the GOE and US AID officials that the present program will have largely accomplished the planned objective in the 11 governorates within the present 5 year \$ 75 million plan and, further, that this is about the limit of the management capability of

implementing agencies in this time frame. However, ORDEV and Governorate officials would like to see a larger and longer program and do not have reservations about the ability to implement a larger program. We are cautiously optimistic at this time, both about the management ability and the likelihood of favorable benefits relative to cost of a larger program. We are not prepared at this time to recommend a large program, but do recommend that this be given special attention in the next evaluation and, if progress continues as favorable, consideration be given to expansion of the program with some improvements suggested in application of benefits/cost estimation and design and including more production oriented activities. In the interim, the program should be continued at present levels

B -- STRENGTHENING OF IMPLEMENTATION CAPABILITY AT VILLAGE, GOVERNORATE STRUCTURES.

The program would benefit from systematic, technical and management analysis and training of personnel at various levels.

It is suggested that ORDEV make funds available from its budget for the purpose, or if that is not possible, that a small part of the title III funds be used for that program. Training outside Egypt, as needed, should be provided from AID funds.

C - IMPROVEMENT OF METHODS AND PROCEDURES:

Methods and procedures employed under the project have been developed with very considerable care and thought by experienced people. The implementation process involves a broad level of participation both in priority selection and implementation and has evidence of being well monitored. It would be desirable to examine carefully the problems and possible ecological impacts in design e.g. control of erosive effects of water by installing drop structures in canals where walls are being lined, effects on draining into ditches of lining

walls, effects on water tables of increasing water flow, etc.

- D - Equity in distribution of benefits already is heavily weighted. Procedures should attempt to measure and consider levels of benefits per beneficiary and their distribution in a village. The application of more rigorous analysis of benefits might also have the effect of directing more resources to directly productive activities, but should not be such as to preclude indirectly productive or socially beneficial activities.

E - CANDIDATES FOR ADDITIONAL PL 480 TITLE II FUNDS :

There are several potential candidates for additional title III funding should they become available.

1- Continuation and expansion of BVS:

One, of course, is additional funding for the present Basic Village Services project to extend it into more governorates and to continue it for a longer period in each governorate.

- 2- A BVS program stressing different, generally longer, more complex and production oriented problems. One such candidate would be a major attack on the problem of water logging, salinity and rapid rise of the lake in Fayoum Governorate. This would require a combination of high level planning, management and technology in water use and water disposal, training of water users and monitoring and control to insure use of optimal amounts of water for different uses and budgeting total inflow and evaporation and transpiration to bring about an improving (rather than deteriorating) situation in the area (lowering of the lake, saving of buildings, recovery of land now inundated, reclamation of land affected by water logging and salinity and recovery of salts from the lake.)

- 3- Research, training and extension :
expanded and better directed practical research on
directed

critical problems affecting agriculture; training in Egypt and abroad, improvement in the research-extension-farmer flow of information and problem identification.

4 - Drainage, irrigation and reclamation:

a large scale program^{As?} combining PL 480 title III generated local currency with AID dollar funds to finance FX costs to support a major attack on land development or reclamation.

This might be directed either to recovery of old lands affected by water logging and salinity or to development of new lands. Areas such as Fayoum might be candidates.

5 - Soil, soil fertility and fertilizer response survey, study and experimentation. A major program to provide direction for fertilizer policy and making better fertilizer use recommendations to farmers.