

UNCLASSIFIED
CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-4

1. PROJECT TITLE Development Decentralization I (DDI)			2. PROJECT NUMBER 263-0021	3. MISSION/AID/W OFFICE DRPS/LAD
5. KEY PROJECT IMPLEMENTATION DATES			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <u>82 -</u>	
A. First PRO-AG or Equivalent FY <u>78</u>	B. Final Obligation Expected FY <u>85</u>	C. Final Input Delivery FY <u>85</u>	<input type="checkbox"/> REGULAR EVALUATION <input checked="" type="checkbox"/> SPECIAL EVALUATION 7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>May 1979</u> To (month/yr.) <u>Sept. 1981</u> Date of Evaluation Review <u>January 1982</u>	
6. ESTIMATED PROJECT FUNDING			8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR	
A. Total \$ <u>31.9</u>				
B. U.S. \$ <u>26.2</u>				

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. The LDF will be decentralized gradually on an experimental basis in one Upper Egypt Governorate and one Delta Governorate. Decision-making powers will be delegated from LDF/Cairo to a special locally-established Committee which will be formed in each of the selected Governorates.	ORDEV/Checchi	April 1, 1982
2. The LDF will be strengthened through directives and regulations specifically in regards to LDF policy towards: a. Loan criteria and application procedures published. b. Individual loan ceilings raised from LE15,000 to 25,000. c. Training of project management and staff intensified. d. Incentive payments systematized only as project profit-sharing. e. Follow-up procedures on principal and interest repayments standardized. f. Receipt of loan repayments acknowledged to Governorates. g. Cancelling or recalling loans criteria developed.	ORDEV/Checchi	May 1, 1982
3. ORDEV and USAID will make every effort to fully utilize the three training programs per year which have been contracted for by AID with the Blue Grass Consortium. Training in Egypt will also be expanded to focus on in-country seminars and study tours related to selected LDF sub-projects. ORDEV will identify specific positions at all levels of organizations (national, Governorate, Markaz and village) whose performance would be enhanced by overseas training and have the occupants of these positions tested and placed in English training as needed. (continued)	ORDEV/Checchi HRDC/EDU/TRG DRPS/LAD	(Continuous) Feb. 1, 1982

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT	
<input type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network	<input checked="" type="checkbox"/> Other (Specify) PIL No.23 signed Dec. 12, 1981	A. <input type="checkbox"/> Continue Project Without Change	
<input checked="" type="checkbox"/> Financial Plan	<input checked="" type="checkbox"/> PIO/T	<input type="checkbox"/> Other (Specify)	B. <input type="checkbox"/> Change Project Design and/or	
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C		<input checked="" type="checkbox"/> Change Implementation Plan	
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P		C. <input type="checkbox"/> Discontinue Project	
11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles) Project Officer: Magd E. Abdel Gawad (DRPS/LAD) <i>Magd</i> Mr. Ahmed El Diftawy Undersecretary of State for Local Government General Director of ORDEV			12. Mission/AID/W Office Director Approval Signature <i>[Signature]</i> Typed Name Owen C. Ylke A/DIR Date 2/11/82	

FROM : DPPE/PAD, W. Steckel
Mission Evaluation Officer

February 3, 1982

THRU : AD/DPPE, C. Weden

TO : A/DIR, O. Cylke

SUBJECT: USAID/Cairo Special Evaluation FY 82-1
Development Decentralization - I, 263-0015

Your approval of the attached Special Evaluation is requested. The evaluation centered the focus of its attention upon the management and utilization of the Local Development Fund (LDF) which is the main component of the subject project. The LDF makes loans to village councils for income-generating projects and is managed by the Organization for the Development of Egyptian Villages (ORDEV). The evaluation team's findings are based upon extensive discussions with appropriate officials in ORDEV, AID/W, USAID/Cairo, Bluegrass Consortium, Kentucky, and in seven governorates. Twenty-one LDF projects were visited and all pertinent project documents were reviewed.

The team finds that ORDEV, Chechhi and USAID have successfully established the LDF. At the time of the evaluation the LDF had distributed loans for income producing projects to village councils at a rate much faster than anticipated. A high proportion of the village enterprises appears to be viable and are either providing or appear likely to provide profits for the Special Account of the village councils in the future. Additional steps should be taken to institutionalize LDC within ORDEV, however. A LDF organizational handbook should be developed with tables of organization tailored to all levels; job descriptions should be prepared; and, established linkages of the ORDEV/LDF staff from LDF/Cairo to village level should be clearly delineated. Assignment of personnel from ORDEV to LDF should be on a more permanent basis. And, LDF should build up a corps of full-time technical specialists to assist governorate ORDEV staff when additional expertise is required.

The evaluation team found that while the project is well on its way toward achieving its purpose and decision-making and managerial skills are being developed within the villages, implementation of the LDF remains highly centralized with ultimate control in the hands of LDF/Cairo. A continuation of this practice, the team feels, will defeat attaining effective decentralization. Accordingly, the team recommends that LDF itself be decentralized. Over the next three years, the team recommends small LDF office be created in the ORDEV organization of each governorate. The governorate ORDEV representative could be the chairman of the governorate loan committee and pattern his own LDF office after the

Cairo ORDEV headquarters. The Cairo LDF would then become the coordinating, research and training office for all governorate LDF.

The evaluation team found that the project is reaching the beneficiaries anticipated in the Project Paper. The LDF staff has benefitted from extensive training, small monetary incentives, and the satisfaction of knowing that they are contributing to the development of Egypt. Head Executive Officers (HEOs) and village councils benefit as they develop management skills. Their prestige is enhanced as they participate in the formation and implementation of local income-producing projects. At the time of the evaluation 800 of the 800 village councils were participating in LDF. And village councils through their managerial activities have commenced orienting local GOE ministerial officials toward village concerns and bringing them under the direction of the HEO and Village Council. The effect has been to reduce the dependence of ministry staff on instructions from Cairo and the governorate and thereby accelerate the move toward decentralization. Further, people working on village enterprises benefit because, in a few cases, the LDF activities provide new jobs or serve to augment villagers' incomes.

The LDF loan portfolio at present was found by the evaluation to be of a basically low-risk nature. Eighty-one percent (81%) of the loans have been made for poultry, cattle fattening and transportation projects. The balance of the loans have gone for a variety of projects including: food processing, agricultural tool manufacturing, fish farm related activities, carpentry, linseed oil processing and handicraft items of various kinds.

In their survey of the loan portfolio the team found that while the percentage of loans going to poultry, transportation, and cattle fattening projects was nearly the same in the early loans as the later ones, there had been a significant shift away from cattle fattening and into poultry projects in the latter period reflecting the relative problems and profitability of these two types of enterprises. With respect to past and future management of the loan selections, the evaluators conclude that in the initial period of the LDF it was probably wise to concentrate the LDF in a few low-risk high priority areas to maximize the chances of getting the project off on a sound footing. Looking at the future, the team recommended that while favoring a broadening of the loan portfolio somewhat caution be exercised in not adding too many new types of activities to the project lists. Far better, the evaluators state, for the loans to be made for more or less standardized activities. Ideally, proposed projects should call for fairly simple demands within the experience of the village people.

Prior to the LDF being used to finance additional innovative activities the evaluators recommend that a serious effort be made to

study the experience of "non-traditional" projects in being before they are replicated in other villages. Underlying this position is the team's conviction that the portfolio should proceed on a conservative basis. In the team's judgments the LDF loan portfolio must generate income for the village councils sponsoring projects and protect the integrity of the fund. Moreover, the team advises that in approving project proposals, the LDF must not over-tax the management capabilities of the village councils in their new LDF-related roles by approving complex non-experienced activities.

In the area of LDF financial management, the team made a number of recommendations. The evaluators recommended that criteria for making and canceling loans be developed and circulated throughout ORDEV. Procedures should be developed for seeing that loans once approved are promptly sent to the village councils; that LDF institute a follow-up procedure, which involves the local ORDEV representative, in all cases when a principal or interest payments are overdue by 30 days; and, that the limit on loans authorized by the LDF Loan Committee be raised from L.E. 15,000 to L.E. 20,000, recognizing recent inflation, the cost of starting a small enterprise, and efficiencies in LDF operations.

The training program designed by ORDEV, USAID and the contractor was found to be well designed. A variety of useful training courses effectively serve the requirements of the LDC staff and the village councils. ORDEV personnel in the governorates told team members that training in the U.S. by the Bluegrass Consortium had enabled them to improve their managerial skills and lead to improvements in their offices' operations. The visits to actual projects in Kentucky were regarded by the ex-trainees as the most useful part of the program. The team recommends that this aspect of the Bluegrass Program be expanded and integrated into classroom instructions. The team further urges that all Bluegrass faculty be encouraged to use case studies based on the DD-I/LDF projects in their teaching. The evaluators recommended that the Philippine study tours be discontinued. The team stated that "this level of training should be undertaken in Egypt and based on successful local enterprises -- LDF, ORDEV and private sector." In-country LDF training programs, the team advises, should be continued and aimed directly at the needs of LDF/Cairo and the village projects. With respect to the development of the ORDEV Academy, the evaluation recommends that it continue to be developed by ORDEV and the USAID but outside the scope of DD-I, as the Academy's program is much larger than the requirements of DD-I.

The team was asked to examine the merits of the LDF obtaining a desk computer to process its records and conduct research. The team was unable to assess the need or use of the computer adequately because a written proposal indicating what the computer would do was not available. The evaluators' suggest that an information system

for the LDF be developed prior to acquiring computers. It should clearly describe in writing the role of the computer in the system. The information system should be designed originally to assist with the day-to-day running and monitoring of the LDF. The research uses of the computer should be left until later and developed as individual research projects are developed. In any system, the team recommends, the design should provide information to all levels of management. Feed-back to the governorates and village councils is seen as important as providing information to ORDEV top management.

In summary, the evaluation team found the project to be well designed. Project implementation reportedly is proceeding smoothly and on schedule. Coordination among ORDEV, USAID and the contractor is excellent. Financial management of the Local Development Fund is being handled in a conservative, responsible manner. And village councils were found to be utilizing LDF funds in a constructive manner in developing profit-making local activities. Given the foregoing and in the absence of any outstanding issues bringing this evaluation before the Mission Executive Committee is not recommended.

Clearances:

IT/LAD:J. Roberts (draft)
IT/LAD:Magd Abdel Gawad (draft)
DPPE/PAAD:JRLa Pittus (draft)