

PD-ABD -335

13th '14/12

ANNEX 1

LOGICAL FRAMEWORK

**ANNEX I  
LOGICAL FRAMEWORK  
LOCAL DEVELOPMENT II (263-0182)**

LOP: FY 86 to FY 89  
Total U.S. Funding: \$190 million  
Total GOE Funding: LE 60 million (157.2)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																								
<p><b>Goal to which this program contributes:</b> (A-1)</p> <p>Improve the quality of life of low income residents in rural and urban Egypt through the provision of basic services.</p>	<p><b>Measures of Goal Achievement:</b> (A-2)</p> <ol style="list-style-type: none"> <li>Declining infant mortality rate</li> <li>Increasing proportion of population with access to potable water and sanitation, and other business services.</li> <li>Larger number of villages and urban neighborhoods with good access roads.</li> </ol>	<p><b>(A-3)</b></p> <ol style="list-style-type: none"> <li>National census data</li> <li>Demographic analyses</li> <li>CAPMAS survey data</li> <li>World Bank Reports</li> </ol>	<p><b>Assumptions for Achieving Goal:</b> (A-4)</p> <ol style="list-style-type: none"> <li>GOE will continue to decentralize local government</li> <li>Administrative and fiscal stability will continue in Egypt.</li> </ol>																																								
<p><b>Program Purposes:</b> (B-1)</p> <p>To improve and expand the capacity of local government at all levels to plan, finance, implement and maintain locally sponsored basic services projects.</p> <p>To improve the capacity of local government to mobilize local resources to support the sustained provision of basic services.</p>	<p><b>Conditions that will indicate purpose has been achieved:</b> (B-2)</p> <ol style="list-style-type: none"> <li>A GOE funded matching block grant system would be fully institutionalized;</li> <li>A decentralized planning and budgeting system, as outlined in Egyptian law, would be more fully institutionalized;</li> <li>Improved project planning, financial planning and implementation capabilities at all levels of local government;</li> <li>Appropriate maintenance facilities in place and functioning at all levels of local governments;</li> <li>Improved operation and maintenance of basic public services;</li> <li>Increased authority of local councils to collect, retain and expend additional revenues, user fees, etc.</li> <li>Improvements in intergovernmental grants, moving towards formula-based system.</li> <li>Increased revenues and user fees collected and spent locally, on an increased proportion of recurrent costs.</li> <li>Local accounting units, certified by the MOP would be operating in all local units.</li> <li>Ministries of Finance and Local Government would be providing technical assistance to local units in revenue generation and recurrent cost financing.</li> </ol>	<p><b>(B-3)</b></p> <ol style="list-style-type: none"> <li>Evaluations</li> <li>Sector Assessments</li> <li>Audits</li> </ol>	<p><b>Assumptions for achieving purpose:</b> (B-4)</p> <ul style="list-style-type: none"> <li>Continued delegation of authority to lower levels of local government.</li> <li>GOE assigns staff necessary to implement systems.</li> <li>Local councils act upon authority given to them.</li> </ul>																																								
<p><b>Project Outputs:</b> (C-1)</p> <p>Basic Services Delivery System established in all levels of local government.</p> <p>Public &amp; Private Local Resource Mobilization System established at all levels of local government.</p>	<p><b>Magnitude of Outputs:</b> (C-2)</p> <ol style="list-style-type: none"> <li>Matching Block Grants Year FY 85 87 88 No 17 26 15</li> <li>Two planning cycles completed - approximately 2100 plans and budgets produced during both cycles.</li> <li>Functioning maintenance centers in 26 governorate capital, 26 urban districts, 70 marakez and 500 village units.</li> <li>Local projects completed: Provincial 1900 Urban 550 PVO 1700 Total 3150 O/M Equipment 500 items.</li> <li>Participants trained in technical subjects: Provincial 44530 Urban 7640 PVO 3600 Local Resources 1200 O/M 5640 Total 63550</li> <li>Popular and elected council members in orientation workshops in provincial governorates.</li> </ol>	<p><b>(C-3)</b></p> <ul style="list-style-type: none"> <li>Annual Evaluations</li> <li>Assessments</li> <li>Semi annual program review</li> <li>Acceptance reports</li> </ul>	<p><b>Assumptions for Achieving Outputs:</b> (C-4)</p> <ul style="list-style-type: none"> <li>Continued delegation of authority to lower levels of local government.</li> <li>GOE assigns staff necessary to implement systems.</li> <li>Local councils act upon authority given to them.</li> <li>Sufficient flexibility in the allocation and control of funds by governorate and local authorities will be permitted by AID and the GOE.</li> </ul>																																								
<p><b>Project Inputs (\$ million):</b> (D-1)</p> <p>Block Grant Fund PVO Fund Maintenance Fund Staff Support Technical Assistance Training Evaluation/Research Contingency</p>	<p><b>(D-2)</b></p> <table border="1"> <thead> <tr> <th>USAID</th> <th>GOE CENTRAL</th> <th>GOE LOCAL</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>122.70</td> <td>6.13</td> <td>6.13</td> <td>\$ 134.96</td> </tr> <tr> <td>15.60</td> <td>--</td> <td>0.78</td> <td>16.38</td> </tr> <tr> <td>--</td> <td>53.20</td> <td>--</td> <td>53.20</td> </tr> <tr> <td>--</td> <td>5.66</td> <td>--</td> <td>5.66</td> </tr> <tr> <td>9.92</td> <td>--</td> <td>--</td> <td>9.92</td> </tr> <tr> <td>3.12</td> <td>0.31</td> <td>--</td> <td>3.43</td> </tr> <tr> <td>1.56</td> <td>--</td> <td>--</td> <td>1.56</td> </tr> <tr> <td>3.11</td> <td>--</td> <td>--</td> <td>3.11</td> </tr> <tr> <td>166.51</td> <td>65.20</td> <td>6.91</td> <td>238.62</td> </tr> </tbody> </table>	USAID	GOE CENTRAL	GOE LOCAL	TOTAL	122.70	6.13	6.13	\$ 134.96	15.60	--	0.78	16.38	--	53.20	--	53.20	--	5.66	--	5.66	9.92	--	--	9.92	3.12	0.31	--	3.43	1.56	--	--	1.56	3.11	--	--	3.11	166.51	65.20	6.91	238.62	<p><b>(D-3)</b></p> <ul style="list-style-type: none"> <li>Project records</li> </ul>	<p><b>ASSUMPTIONS FOR ACHIEVING INPUTS:</b> (D-4)</p> <ul style="list-style-type: none"> <li>USAID and GOE make funds available</li> </ul>
USAID	GOE CENTRAL	GOE LOCAL	TOTAL																																								
122.70	6.13	6.13	\$ 134.96																																								
15.60	--	0.78	16.38																																								
--	53.20	--	53.20																																								
--	5.66	--	5.66																																								
9.92	--	--	9.92																																								
3.12	0.31	--	3.43																																								
1.56	--	--	1.56																																								
3.11	--	--	3.11																																								
166.51	65.20	6.91	238.62																																								

LOCAL DEVELOPMENT II PP

ANNEX 2

- A. Economic Analysis
- B. Institutional and Administrative Analysis
- C. Technical and Environmental Analyses and Certification
- D. Social Soundness Analysis.

## LOCAL DEVELOPMENT II PP

### ANNEX 2A

#### ECONOMIC ANALYSIS

##### A. Introduction:

Local Development II would provide funds for new subprojects (e.g. water/waste water facilities, roads, canal repair, and solid waste collection), and for operations and maintenance (O&M) of both these new projects and the approximately \$400 million spent on subprojects under DSS I. Expenditures for the new subprojects are expected to take place during 1986 to 1989. O&M expenditures will begin as soon as funds are provided to the local governmental units (mid 1986) and continue indefinitely. At first the O&M money will be used for DSS I subprojects, but increasingly the funds will be needed for LD II subprojects as well. Benefits from LD II will be realized as soon as funds are spent on operations and maintenance of the older projects, presumably as early as late 1986, and may be expected to continue as long as the subprojects are operated and maintained.

The LD II PP contains funding recommendations for two years, with the actual spending on the subprojects taking place over four to five years. However, the economic implications of this project depend on both the previous expenditures under LD I and future expenditures under LD III. The interplay of capital expenditures in one period and O&M expenditures in the next is a main theme of LD II planning. Experience in Egypt has demonstrated that capital intensive projects requiring critical levels of O&M will not yield the expected level of benefits unless some explicit arrangement is made for provision of the O&M. The economic analysis below assumes that the levels of O&M contributions pledged by the GOE will be continued throughout the analysis period (i.e. 1986 - 2005)<sup>1/</sup>. The implications of a significant departure from this assumption, i.e. much lower O&M expenditures is included in the analysis.

##### B. Costs:

The project provides for purchases of U.S. source and origin equipment, technical assistance, Egyptian labor (skilled and unskilled), and Egyptian materials. Some of these inputs will be embodied in structures, water and sewer lines, treatment plants, and related plant and equipment. Other inputs of labor and material will be used to operate and maintain existing and new AID financed plant and equipment under LD I and LD II. Based on the best estimates of project designers on the likely mix of projects annual cost estimates were projected for the period 1987 - 2006.

All cost and benefits are estimated in Egyptian pounds (LE). All U.S. inputs of material and labor are assumed to be required at market oriented

<sup>1/</sup> The 20 year horizon chosen for measuring cost and benefit is arbitrary, but linear extensions of costs and benefits beyond the year 2006 do not greatly alter the results. See note to table I.

prices. The inflation rate applied to U.S. dollar values was 6 percent annually. Since these inputs are made over a relatively short period (nearly all of these inputs occur in the period 1986-1989) the U.S. inflation assumption is not critical. Planned dollar expenditures, deflated to constant 1986 dollars, were converted to LE using an exchange rate of 1.62 in 1986, 1.82 in 1987, 2.0 in 1988 and 2.2 in 1989. This exchange rate is the present unofficial market rate of 1.50 LE = US\$1.00 depreciated by a factor of 10 percent annually. Under this assumption the dollar inputs will buy more LE annually. However, the depreciation basically matches the difference in inflation rates between the two countries. Hence the purchasing power of the dollar for Egyptian inputs remains the same as its purchasing power for U.S. inputs. The Egyptian inflation rate is assumed to be 15 percent annually and all costs in LE were deflated to constant 1986 LE using this assumption. Assumptions about future O&M expenditures beyond 1989 (not included in the two year funding estimates) were made on the bases of constant 1986 LE.

The Egyptian labor and materials for plant and equipment were adjusted to market-oriented price levels using a shadow price factor of 1.4. This factor was based on accounting ratios developed for Egypt by the World Bank <sup>2/</sup> and the mix of labor and materials required for sewerage construction under the Cairo Sewerage II project <sup>3/</sup>. The shadow factor would be different for various subprojects, but the 1.4 shadow factor was felt to be representative of the average for all subprojects. No shadow price factor was applied to O&M projects because the level of O&M estimates in constant 1986 LE is itself a crude guess. Moreover, a greater percentage of O&M expenditures will be on labor (where the need for adjustment is less) and are projected far into the future (when hopefully energy prices will be closer to market levels). Because of the wide range of uncertainty surrounding this O&M estimate. The projected O&M expenditures are subjected to sensitivity analysis that calculates the internal rate of return for various alternative O&M levels.

The results of these adjustments to stated project costs are shown in Table I, page 2A/5. Essentially this table says that approximately 500 million LE (in constant 1986 LE) will be spent on sub projects over the period 1986 to 1989. O&M expenditure, on this period will increase from 10 million LE in 1986 to 31.5 million in 1989. Beyond 1989, all spending on subprojects stops. O&M expenses will be about 35 million in 1987-89 in current LE, displaying a decline in real terms. Beyond 1989 the level of O&M is estimated to be constant in 1986 real terms at the 1989 level.

No funding for capital projects under LD III is projected in this analysis.

2. World Bank Report No. 4136-EGT, Arab Republic of Egypt: Issues of Trade Strategy and Investment Planning, Jan. 1983.

3. USAID, 1984, Cairo Sewerage II Project Paper, Part VI.

C. Benefits:

Benefits from LD II are derived from three sources:

- 1) the difference between maintained and idle, or deteriorating, LD I projects;
- 2) the flow of services from LD II subprojects (which are assumed to be maintained); and,
- 3) the residual value of all subprojects in the final analysis year (2006).

The exact mix and value of projects put in place under DSS I is not known, and there was no attempt under DSS I to establish costs in constant LE adjusted to market-oriented prices. The total dollar equivalent for the funds expended on LD I over four years is estimated at \$418 million. Adjusting for U.S. and Egyptian inflation rates and applying a market oriented exchange rate the equivalent value of all LD I projects in 1986 LE is estimated to be 600 million LE. While it is impossible to calculate the flow of benefits from each of the subprojects, it is reasonable to postulate that the average return will be on the order of 10 percent annually, or 60 million LE collectively. Assuming O&M expenditures are maintained as planned under LD II, it is likely that much of the DSS I infrastructure will still be in place and providing services in the year 2006. In the absence of the LD II O&M expenditures, experience with similar projects shows that the benefit flows will drop off sharply after only a few years and there will be little or no salvage value at the end of the period. The benefit flow from LD I projects shown in Table I, is based on the difference between maintained and unmaintained subprojects. After four years (1990) the difference is estimated to be 25 million LE (or half the value of all LD I benefits) in constant 1986 dollars, which is counted as a benefit for LD II. For the years 1986 to 1990, the difference is phased in smoothly at 10 million LE per year to approximate the value of services under maintained projects versus these under deteriorating projects.

The level of benefits from LD I capital spending likewise must be hypothesized since the project selection will be in the hands of the local units. Again we must assume that these projects will, on average, yield a rate of return that approximates a 10 to 12 percent rate of return to capital. The benefit schedule for LD II capital projects in Table I includes an annual benefit flow of 40 million LE (10 percent per year on 400 million LE in subprojects). Since O&M has been provided for in the cost structure for LD II capital projects, it is reasonable to assume that these returns will continue throughout the analysis period.

The residual value of LD II capital projects is estimated to be 50 percent, or 200 million LE. For some projects, like roads and water/sewer lines that are well maintained, there should be no reduction in value even after 20 years. Other projects, like canal rebuilding and some structures, may have little value after twenty years. The 50 percent assumption, although

arbitrary, is not critical to the internal rate of return. LD I projects are assumed to have a differential residual value of 200 million LE (250 million LE with maintenance and 50 million LE with no maintenance).

D. Internal Rate of Return:

The internal rate of return using the economic cost and benefit assumptions and calculations provided above is 9.5 percent. As calculated, this rate tends to underestimate the total economic returns to LD II since no benefits were estimated for improved performance of local development units, or income and employment multipliers for increased economic activity in areas characterized by chronic underemployed labor resources. Perhaps, more importantly, no benefits were estimated for increasing the national awareness of the necessity of planning for and carrying out a sustained high level of operations and maintenance to protect existing and new investment. While it is unlikely that this project alone can be expected to restructure the Egyptian attitude toward O&M expenditures, it is likely that the combined LD expenditures of 1.0 billion LE, if properly maintained, would have substantial demonstration effect.

The sensitivity of the internal rate of return to the assumptions about the interactions between benefit levels and O&M costs is shown in Table I. A decline in the benefit level to 45 million LE annually reduces the internal rate of return to 4.72 percent. That is, a relatively modest fall in the average return to these projects and/or a failure to fully fund O&M costs in the future would quickly reduce the internal rate of return to unacceptable levels.

The sensitivity analysis also shows that relatively small changes in the O&M costs can produce large changes in the internal rate of return. If true savings can be found in the O&M costs, through increased labor productivity (for example), then the project returns could increase sharply. If, however, O&M costs are reduced by simply failing to perform needed work, the benefits would fall by a levered amount (1 LE reduction in costs will imply a larger reduction in benefits) and the lowering of O&M costs will sharply lower the internal rate of return.

An awareness of this final relationship, i.e. the linkage between O&M and benefits is, of course, a primary project goal.

TABLE I Costs, Benefits and IRRs  
(in millions of Egyptian Pounds(LE))

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Total Costs	105.80	202.20	105.20	29.40	26.80	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60
Total Benefits	5.00	10.00	30.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	465.00
Net Benefits - Costs	-100.80	-192.20	-75.20	35.60	38.20	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	39.40	439.40
IRR (%) =	9.52%																				

Sensitivity Tests

Benefits	IRR (%)	Costs	IRR (%)	End Year	IRR (%)
45.00	4.72%	15.60	11.67%	2001	9.46%
55.00	7.13%	20.60	10.60%	2006	9.52%
65.00	9.52%	25.60	9.52%	2011	9.54%
75.00	11.88%	30.60	8.41%	2016	9.56%
85.00	14.22%	35.60	7.30%	2021	9.57%

(with costs at 26.50)

(with benefits at 65.00)

(with costs at 26.50 and benefits at 65.00)

ANNEX 2-B

Institutional Analysis

## LOCAL DEVELOPMENT II PP

### ANNEX 2B

#### INSTITUTIONAL AND ADMINISTRATIVE ANALYSIS

##### I. Summary:

After a thorough review of the LD II design, this Institutional Analysis concludes that the organization and management plan for LD II is structurally sound and functionally feasible.

The Program Paper has identified four major institutional problems, which exist under the current decentralization program, as follow: (1) the lack of policy-making bodies at the ministerial and governorate levels to direct the program, (2) weak horizontal linkages at all levels of government, (3) a multiple command structure within local government and, (4) a lack of healthy collaboration between the executive branch of local government which has the technical capability, and the popular branch, which is vested with decision-making powers. Incentives, although not included in these four problem areas, remain a project implementation issue addressed in both the Project Paper and this analysis.

For each of these institutional problems the Project Paper proposes discreet organizational changes as follow: (1) the Interministerial Local Development Committee (ILDC) will be established to determine program policy and guidelines. (2) the Amana, already formed and functioning, will be strengthened through the provision of technical assistance and financing in its role as the coordinating body for program technical concerns. (3) Urban and Provincial Subcommittees, again already established under existing decentralization programs, will continue to focus on sector specific policy concerns. (4) Governorate Local Development Committees (GLDCs) will bring together for the first time representatives of all concerned ministries at the governorate level, and representatives of the governorate popular councils to coordinate the program at the governorate level. Similar committees will be formed at each of the markaz, district and local unit levels of local government as well. Finally, the Project Paper ensures that incentives will be provided for GOE employees participating in this program from GOE contributions.

##### II. Introduction:

Egypt has undergone a number of evolutionary changes in its government structure. The most significant changes have occurred through a recent succession of decentralization laws that effect the nature of the relationship of local government to the center. The process remains fluid and the direction positive.

AID's involvement in this process began in 1979. The application of AID funds to support the GOE's decentralization policies has led to an overall improvement in the functioning of local government and in the delivery of basic services. Local control over local development problems is a growing reality in Egypt.

The following analysis is intended to clarify some of the strengths and weaknesses of this decentralization system and process. Section I, Background, presents an outline of the legal evolution of decentralization, progress made in the fulfillment of the laws, and AID's DSS I contributions to the process. Section II, Institutional Issues, discusses (1) the lack of an interministerial program policy-making body and consequent problems in program coordination, (2) the legal and technical capabilities of each level of local government, (3) the horizontal and vertical linkages within and between those levels which have created a multiple command structure, (4) the related issue of weak coordination within the executive councils, and (5) the low public sector salaries. Section III, The LD II Response, analyses the appropriateness of the project innovations to the institutional issues. And Section V, Implementation Feasibility, discusses the practicality of instituting these proposed changes.

## I. Background

### A. GOE Decentralization Laws:

Unlike the U.S. system where local government powers and authorities are defined in a federalist constitution, the rights and responsibilities of local government in Egypt are determined by legislation which has undergone a number of changes over the last two decades. A summary of this succession of legislation is presented below.

1. Law 124/1960 created the governorate, town and village jurisdictions. Popular councils were established to administer the following functions: education, labor, public health, agriculture, utilities and housing, food supply, rural development, social affairs, communications, cooperatives, and security functions

2. Law 57/1971 was issued by President Sadat in order to increase popular participation in local government. Two councils were created at the governorate level - an "elected" peoples' council and an executive council. The peoples' councils were vested with the power to suggest policies, manage local public services, and supervise the local executive council.

3. Law 43/1979 created the system of two councils at every level of local government and mandated that at least one member on each council be a woman. This law has allowed an evolution of decentralized decision-making down to the local units and has increased the functions for which the local units are responsible, for example school teacher selection, planning and development self-finance by self-reliance, and general village development.

4. Law 50/1981 was amended to increase the elected councils authority to question and direct the actions of the local executive councils. This law changed the open candidate electoral system to a party list system.

#### B. AID's Impact on Decentralization in Egypt:

BVS gave real decision-making power village councils for the first time by providing substantial capital grants over which the village councils have full control. As a result local councils have been increasingly involved in governmental decision-making, particularly with respect to the provision of basic services.

DSF gives governorates and markazes greater access to finance for equipment needed to improve their capacity to operate and maintain infrastructure and to carry out basic services.

LDF has enabled the local units to develop income-generating demonstration projects, the benefits of which return to the local units' local services and development accounts to finance other self-help activities and projects.

AID's financial contributions to the GOE Decentralization Program have provided capital to activate local government capacity. Sizeable AID sponsored training programs have reinforced local government management capabilities at the same time.

## II. Institutional Issues

### A. A Lack of Policy-Making Bodies and Program Coordination.

Under DSS I, the five component projects are managed by independent project steering committees which are only loosely tied together as an integrated program. In most cases, these committees lack representation from the ministries whose say in policy, finance and technical issues is essential to program decision-making. Increasingly, the Decentralization Program encounters program issues that are larger and more interdisciplinary than can be appropriately resolved by the sector specific project committees. An attempt made under DSS I to form a Sector Steering Committee was largely unsuccessful.

Below the level of the steering committees exists a similar lack of policy determination/program coordination in the governorates. No specific mechanisms were established under DSS I in the governorates to coordinate between programs and the implementing directorates, and most policy issues returned to the project steering committees for resolution.

## B. Legal Mandates and Technical Capabilities of the Various Levels of Government in Egypt.

### 1. The Central/Ministry Level:

GOE officials continue to hold mixed views on the appropriate rôle and function of central ministries vis-a-vis local government. For those who share the more decentralized view, central ministries should establish broad policy guidelines, institute legal changes in the system and provide technical assistance to local government in their respective areas of technical expertise, leaving priority setting, program planning, and implementation in the hands of local authorities. The countervailing centrist position argues that both technical ability and financial resources are scarce and therefore, must be tightly controlled and rationalized through central planning. According to that view, programs should be managed by technically-specialized central government ministries.

Both ministers and governors, who share cabinet level rank, have the authority to plan, design and implement projects and programs. The executive councils of the governorates are also empowered to administer any programs which the ministries choose to implement at the governorate level. Importantly, governorate popular councils only review and approve governorate-controlled programs. The central service ministries are free to implement programs in any governorate at their discretion and sometimes in the absence of governorate level coordination of those programs with other governorate projects.

While the ministries, in most cases, have the strongest technical capabilities, the governorates, through the representative directorates at the governorate level have strong capabilities in project and program administration and good emerging capabilities for planning, budgeting and design.

### 2. The Governorate Level:

Although governorate directorates perform different functions for the governorates and the central service ministries, coordination and control of local development programs is increasing at this governorate/directorate level.

Governorate directorates are empowered to administer centrally-funded line ministry programs and projects. The same directorates are authorized to implement governorate-funded programs and projects. Popular Council approval is required for all plans and budgets which originate in the governorate, but, as mentioned above, not for the programs which originate in the ministries.

Technically, the governorate directorates have strong capabilities for project and program administration, and developing capabilities for planning and project design.

More recently, the governorate level popular councils have begun to form sector specific subcommittees which also have limited review capabilities for programs administered by the directorates in the case of line ministry funding, and for those programs planned and implemented by the directorates in the case of governorate-controlled funding.

### 3. Markaz and District Levels:

The role of the markaz/district is one of subgovernorate program coordination and planning. Most projects and programs are implemented directly at the governorate or local unit levels in the case of provincial governorates, and at the governorate or district level in the case of the urban governorates. LD II plans to strengthen the planning and coordination functions of the markaz in the provincial governorates, and to continue focusing on planning, coordination and project implementation capacity development at the district level in the urban governorates.

By law, the markaz or district executive councils have only limited administrative authority. Correspondingly, the popular councils at this level have a limited role in the approval of plans and budgets which pass through the markaz from the local units for final submission to the governorate councils.

Markaz and district executive councils have inconsistent records on the provision of technical assistance as well. Good vertical access to technical assistance from the governorate directorates and the line ministries through the markaz has been their strongest contribution to the project and program design and implementation process.

### 4. The Local Unit Level:

Local unit executive councils are responsible for the administration of all governorate-funded programs and projects and some line ministry activities. They have full authority for the planning, design and implementation of AID-funded BVS and LDF Projects.

The local unit popular councils have approval authority for all plans and budgets submitted by the local unit. Under the DSS I Program, the local unit popular councils are also responsible for the selection of BVS and LDF projects.

While most executive councils have limited technical capability, this is the locus of local expertise which the Decentralization Program is trying to strengthen. BVS and LDF projects have significantly improved the technical capacity of these councils. Vertical access to technical expertise at the markaz, governorate and ministerial levels enables the local unit to administer the bulk of these relatively simple local development projects and programs.

While the local unit popular councils still have little or no technical capability, their strong local contacts and ties to the community ensure popular voice and participation in the program.

C. The Multiple Command Structure in Local Government and The Conflict Between Horizontal and Vertical Linkages.

As is evident in the description of local government authorities and capabilities above, governorate directorates have a multiple lines of command; they respond to the line ministries for programs and projects which originate in the ministries, they answer to the governor and secretary general for governorate-sponsored programs, and still in other cases, separate institutional arrangements have been made for AID-sponsored projects. While salaries are paid from governorate accounts, salary levels are controlled by the central authorities, and promotions are determined by both the line ministry which corresponds to the directorate and governorate level officials. Increasingly governors have a voice in personnel, but conflicts clearly exist over who is in charge.

The situation is similarly confused in the case of planning, budgeting and finance. Both the governors and the ministries argue for programs and levels of funding for the governorate level directorates. The Ministry of Planning is then expected to rationalize all investment budget (Bab III) requests. The result is separate budget allocations for the same function controlled by two different, independent institutions with control over the same employees at the governorate level. As an added complication, while the MPIC makes Bab III allocations for governorate level programs through both the central service ministries and the governorates, the governorates are expected to secure O & M financing from central authorities for all projects implemented at the governorate level. The LD II Program would attempt to improve coordination by linking the Service Delivery System with the O & M System at the governorate level.

This confusion in lines of command is an unavoidable stage in the process of decentralization; a system that was oriented entirely towards local administration of central projects has now gained control over a number of locally-initiated programs.

The strong vertical linkages with the line ministries for technical assistance which exist should be retained in the process. Almost any level of local government can request assistance from the line ministries for project design or implementation. These vertical links are strong throughout the executive side of local government and will continue to play a vital role in LD II.

Governors are increasingly exerting their control over the executive councils and certain ministries have deconcentrated many of their activities. However, the problem of having at least two bosses remains.

D. Weak Coordination of Programs within the Executive Councils.

As a result of the dual command structure in the executive councils and down through the directorate system, the directorates and their representatives in the lower levels of local government have little reason to coordinate programs. The only people capable of establishing coordinated plans and program implementation are the executive council chiefs. Unfortunately, the imperfect command structure between these chiefs and their councils results in good coordination only in the case where the council chief has a strong personality, or as we have seen under DSS I, where the councils have complete control over project funds. This situation applies with respect to the governorate executive council and the governor as well. Personal influence is often the deciding factor in the success of local government in the absence of clearer lines of command.

E. Public Sector Salaries.

Low public sector salaries and incentives are a major concern for the GOE and have a direct impact on the operations of many AID/GOE programs. Under DSS I salary incentives were provided for GOE employees from the GOE contribution to the program. The experience of the previous program argues strongly for the inclusion of salary incentives from the GOE contributions to ensure a proper level of enthusiasm for the program on the part of middle and lower level GOE functionaries.

### III. The LD II Response

#### A. Strengthening Program Policy Formulation:

LD II would establish an Interministerial Local Development Committee (ILDC) with representatives from rural and urban governorates and the Ministry of Local Government (MLG), the Ministry of Planning and International Cooperation (MPIC), the Ministry of Finance (MOF), and the key line ministries. This ILDC would establish policy, coordinate programs across the interests of the various ministries and governorates, and set levels of allocations for the governorates.

In addition, the Anana, which has already been established, will be strengthened under LD II. The Anana would be responsible for the coordination of all technical concerns which arise in the program, conduct or contract for both policy and technical studies, and coordinate technical assistance and training. Importantly, all concerned line service ministries and the corresponding governorate directorates would be represented on this body.

At the governorate level, joint popular and executive council Local Development Committees (Governorate LDCs) would be established at each level of local government to oversee the LD II Program. Most governorates already have established informal arrangements which resemble these LDCs, but they would be more clearly defined under the LD II Program. The governorate level joint committees would have the initial responsibility of establishing allocations for the other levels of local government within the governorate. Joint technical subcommittees under the LDCs would be formed from representatives of concerned directorates, on the executive side, and committee chairman on the popular council side, to study governorate-specific technical concerns.

This approach would encourage coordination among the various line functions within the governorates. Having popular representation on these committees at the governorate level would ensure that local concerns and priorities are addressed. Furthermore, joint executive-popular decision-making would contribute substantially to the level of technical understanding of the popular council members.

#### B. Building Technical and Decision-Making Capacity:

Capacity building has always been a primary concern of the joint AID/GOE Decentralization Program. Experience under DSS I indicates that substantial improvements have occurred in the decision-making and technical capabilities of all levels of local government. LD II plans to continue strengthening this capacity through financing, training and the continued provision of selective technical assistance.

Departures from DSS I in the new LD II Program to improve capacity include placing more responsibility at the governorate and markaz levels for the initial allocation of funds.

One of the weakest levels of local government has been the marakaz in the provincial governorates. Traditionally by-passed in prior AID and GOE programs, little legal authority or technical capability has developed at this level.

Under LD II, capacity building at the marakaz level would be encouraged through:

1. the availability of up to 20% of the block-grant funds for use by the governorate and marakaz levels.
2. incorporation of the marakaz into the LD II budget allocation and project planning and approval processes.

This new role for the markaz and increased role for the governorate decision-makers is in contrast to the almost exclusive attention directed to village level decision-making under the DSS I Program. LD II would, in effect, emphasize improvements in the decision-making process at all levels of local government.

C. Strengthening Program Coordination by Improving Horizontal Linkages in Local Government:

The GOE decentralization laws empower the popular councils to approve and supervise the programs developed and administered by the executive councils. These councils, however, have limited technical capability. The executive councils, on the other hand, have, in most cases, the technical capability to plan and implement projects, but lack the decision-making authority with which to do so.

LD II would address this problem through the establishment of joint popular and executive planning and implementation committees (the LDCs). Accordingly, the technical capabilities of the executive branch of local government would be joined to the decision-making authority of the popular councils to strengthen the capacity and effectiveness of both. With this arrangement, the problems of program coordination between the two branches of local government which existed under the DSS I Program would be reduced.

D. Rationalizing the Command Structure in Local Government:

The decentralization of government is an evolutionary process that takes time. The LD II Program interventions are designed to gradually increase the decision-making capacity and technical capabilities of local government so as to reduce its dependence on the central government, and conversely, to increase the reliance of the center on the periphery. Central authorities would continue to intervene in the affairs of local government until these capacities and capabilities are well-proven. As is already evidenced through improvements in the functioning of local government under the DSS I Program, decentralized control of local development is a growing reality.

18

E. Incentives for Public Sector Employees:

Experience has shown the necessity and usefulness of providing incentives to GOE employees who contribute most to the program and project implementation. This practice will be continued, again using GOE contributions under the LD II Program.

V. Implementation Feasibility:

While the LD II Program addresses all major program-related institutional issues in theory, can such an organization and management structure function in practice?

The Sector Steering Committee has not functioned effectively under the DSS I Program. The effectiveness of an expanded policy body under LD II is therefore a serious concern. The creation of a full-time policy analysis staff, through the Anana, is seen as crucial to the efficient operation of the ILDC. This important addition under the LD II Program will remove a major constraint to the formation and functioning of such a high-level policy committee. The Anana staff would analyse program and policy issues and bring them to the ILDC for resolution.

The Anana itself is already well-established. The LD II Program was designed through the combined efforts of the Anana and AID. Technical and financial assistance directed specifically to the Anana under LD II would enhance its capacity to address program needs for technical and policy analysis, information systems, and training.

In many ways, the transition from DSS I to LD II is well underway. While the LD II Program gives clearer definition to the roles and functions of the concerned organizations and agencies, several of the key organizational relationships defined in this Program Paper are already established. AID's relationship to the Anana and with representatives of key ministries have developed substantially during the new project design phase. Our older, well-established ties with the Ministry of Local Government and the governorates are stronger than ever. In the end, the enthusiasm of both the Mission and the GOE for the Decentralization Program should bring together the remaining components of the project required for its success.

LOCAL DEVELOPMENT II PP

ANNEX 2-C.

Technical and Environmental Analyses

and

Environmental Certification

(3000D/0011D) 8/15/85

Table of Contents

A. Technical Analysis for LDII and 611(a) requirement

1. Introduction.
2. Description of Major Activities.
  - a. Rural Water Supply.
  - b. Wastewater System.
  - c. Rural Roads.
  - d. Solid Waste Management.
  - e. Local Urban Upgrading Activities.
3. Assessment of Local Technical Capacity to Plan, Implement, and Maintain Projects.
  - a. Provincial Areas.
  - b. Urban Areas.
4. LD II activities to improve local technical skills and selection of technology.
5. 611a requirement.

B. Environmental Analysis for LD II

1. Introduction.
2. Environmental History of the Program Area.
3. Major Environmental concerns.
  - a. In the Nile Valley
  - b. In the Desert.
  - c. In Urban Areas.
4. Measures to lessen Environmental Problems during DSS I.
  - a. In the Nile Valley.
  - b. In the Desert.
  - c. In the Urban Areas.
5. Measures to reduce Environmental Problems in LD II.
  - a. In Provincial Areas.
  - b. In Urban Areas.

C. The Monitoring System and Design Criteria

1. Introduction
2. Monitoring System
3. Design Criteria
  - a. Water and Wastewater
  - b. Canal Maintenance and lining.
  - c. Roads.
  - d. Solid Waste.

D. Environmental Certification

(2) LD II

A demand for an additional 1000 rural supply projects is projected for implementation under LD II.

(3) Technical Issues for Water Supply Projects for LD II

(a) Choice of Technology

First, the system should be operatable and maintainable by the operators available where the systems will be located. Second, cost comparisons should always be used in determining the selection of a water system. High technology components, that are not cost effective, should not be chosen just because they may be available through AID funds.

(b) Water Treatment Systems

The majority of rural water systems use 70 meter, drilled wells as water sources. In most cases these sources do not utilize or require water treatment except when high concentrations of iron and manganese occur, as happens in some places. Larger rural water systems that use surface water as a source require treatment. These treatment systems utilize various forms of sand filtration. The DSF Project has supplied 33 compact treatment units for water projects in the Nile Valley. The desert governorates of Mersa Matruh and Red Sea have been supplied with thirteen desalinazation treatment units through DSF.

Sub-standard operation and maintenance practices in Egypt suggests that potable water purification systems should not utilize high technology and imported equipment except when there is no alternative. Hi-tech water treatment systems should be observed over time, in order to determine their appropriateness to Egypt.

Water treatment is expensive but more importantly is difficult without qualified operators and maintenance personnel. This is especially true for compact units where the treatment process is hidden from the operator. Furthermore, imported compact units are built for either the worst case or an average situation. In other words, they are not designed for a specific location or water treatment requirements. Therefore, the units tend to be either more expensive than necessary or inappropriate for a particular environment; usually compact units have enormous operating costs. Under LD II USAID will recommend that water purification systems be designed for specific sites and individual water treatment requirements. This will contribute to savings in capital and operating costs and help keep the system working.

23'

## A. TECHNICAL ANALYSIS FOR LD II

### 1. Introduction

Of primary importance in LD II is improvement of the process of local development through the building of the capacity of local units to plan and implement projects of their choice, within an acceptable range of activities. Funds, therefore, would be disbursed against well-conceived plans generated by local units. The actual implementation of sub-projects would be the responsibility and is controlled by local government.

The technical issues involved with the implementation of LD II sub-activities are also a great concern. Technically sound, high quality sub-activities are a primary indicator of increased institutional capacity--thus development. Furthermore, technically sound sub-projects are normally less costly to implement and maintain. To ensure that sub-activities are technically sound USAID and the GOE will monitor and evaluate the sub-activities and provide technical assistance and training to selected local entities involved with implementation.

The major LD II sub-activities, where technical issues are involved, are rural water supply, drainage/sewerage, rural roads, canal maintenance, solid waste management, and local urban up-grading activities.

### 2. Description of Each Major Activity.

#### a. Rural Water Supply

##### (1) DSS I

The most common sub-activity implemented by village units under the Basic Village Services activity of DSS I, was rural water supply. 1600 rural water supply projects were implemented, comprising 60% of BVS projects.

A typical rural water supply system in the Nile Valley consists of one 70 meter well, one pump station with two electric and one diesel pumps, one elevated tank, one distribution (pipe) line, and a number of public tap stands and/or household connections, depending on the wealth, size and location of the village.

Under DSS I, desert governorates constructed deep wells with engine driven pumps. In the coastal areas the desert governorates used brackish water desalinization and demineralization units.

(c) Water Storage Tanks

In Egypt water storage tanks are constructed from concrete or cement-block-masonry. In the rural areas the storage tanks are constructed mainly from concrete, which is thought to be more waterproof than masonry. Nevertheless, rural water storage tanks are commonly out of order because of leakage. Another serious problem is that local operators, do not know the true function of these tanks.

When water tanks are off-line due to maintenance problems, the electric and diesel water pumps, which are designed to fill the storage tanks, must operate continuously to serve the community water needs. This creates enormous wear and tear on the pumps, increases their operation and maintenance costs, and reduces their operating life. Finally, one reason why people in the Nile Delta prefer to live in single story dwellings rather than multi-story dwellings is because of low water pressure. This phenomenon contributes to settlement sprawl onto agricultural land--a major concern for Egypt. Quality construction and proper operation and maintenance of water storage tanks should be a concern of communities implementing water projects.

(d) Pipe and Pipelines

The asbestos-cement (A-C) pipe issue of DSS I is closed. The EPA and the American Water Works Association both state that there is no evidence of harmful health effects from the use of A-C pipe. A-C pipe is fully accepted for water system by the engineering profession. New developments in this area, will be monitored and any recommendations will be forwarded to the proper GOE authorities.

There is concern that corrosive water, that is common from wells in Egypt, can delaminate and destroy A-C pipe, over time. As a result, those organizations responsible for LD II water projects monitor this problem. If field monitoring indicates a problem with pipe corrosion, treatment may become necessary to correct the problem.

There is strong evidence that there is significant leakage in village water systems, due to improper entrenchment and laying of pipe. Wastage due to leaks may be as high as 70%. Part of the reason for this problem is a lack of qualified supervision of villagers who sometimes undertake entrenchment and pipe laying to save money. Another reason for the leakage is mechanical; the couplings used for A-C pipe. USAID engineers claim that the coupling is improperly designed and will leak under pressure. Under LD II qualified supervision for village project implementation would be financed. [See Section B.5 for recommendations, page 2C/27]. Furthermore, tests should be conducted to determine whether or not the A-C coupling should be improved or replaced.

(e) Household Connections and Tap Stands

Household connections and public tap stands are both major sources of water loss. In many cases, village householders make their own connections from their homes to the distribution lines. Many of these household constructed connections leak. Under LD II household connections should be built under qualified supervision and existing connections that now leak should be up-graded to reduce leakage.

Public tap stands often leak because of poorly designed or light duty taps. New, modified, heavy duty tap designs frequently appear in other countries. USAID and the GOE should keep abreast of the new developments in order to select the most appropriate public taps.

(f) Metering

By Egyptian law water supply systems must be constructed to include water meters. The meters are manufactured by an Egyptian Government factory and installed on most water systems. However, the meters frequently do not work and they do not have the desired impact on water usage. The price of water is very low, but under more rationalized rates, meters can have a dramatic impact on water conservation. Furthermore, higher rates could supply the funds required to repair the meters that are currently defective.

b. Wastewater Systems

(1) DSS I

The felt need for rural sanitation always lags behind the felt need for potable water. This has been the situation during in Egypt. Because rural settlements has been receiving increasing amounts of water (potable, irrigation and groundwater) from various sources, the felt need for a means to remove excess water from the village environment has increased dramatically. (See Annex 2C/B: Environmental Considerations for details, page 2C/21.)

DSS I wastewater activities developed slowly, in comparison to its potable water activities. This happened because DSS I allowed local government to take the lead in determining its own priorities. Local government and village people decided that their first priority was for potable water. Now that this demand is being satisfied, people realize that their excess wastewater is unsanitary, and must be removed from their villages. In many villages being served by potable water systems, wastewater removal is now top priority.

Approximately 150 ground water lowering projects were implemented under DSS I. Most of these projects were converted into sewerage projects intentionally or by environmental circumstance, due to high groundwater. This is a clear indication of correct needs analysis, by villagers, but incorrect project identification. However, this was not the fault of the villagers, because low cost appropriate technology rural wastewater systems have not been available in Egypt, except on a pilot basis. This problem is now being addressed by DSS I/BVS Project and will be a major focus of LD II.

In 1983 BVS funded two groundwater lowering demonstration projects, in two Delta villages, that have proven very successful. Village units with similar problems have observed the two pilot systems and constructed similar systems.

Nevertheless, the demonstration projects are for replication only in villages where high groundwater has not mixed with sewage. (Use of these types of systems where groundwater and sewage is mixed, results in sewage disposal into drains. This was the primary reason the BVS IAC banned groundwater lowering projects.)

In 1985 BVS organized a sub-activity, under the TA contract, to seek low cost appropriate technology household and community solutions to the groundwater and wastewater problems. Through this sub-activity, four engineers have developed designs for six wastewater pilot projects in Menoufia and Damietta. If the designs are approved the Inter-Agency Committee (IAC) of BVS, the implementation of these pilot activities will begin under LD II.

## (2) LD II

The projected demand for well designed wastewater projects under LD II is very high. However, because of the relative high cost for wastewater projects when composed with potable water projects, demand should run well ahead of supply.

WHO considers low cost appropriate technology sanitation systems to be in the \$5.00 to \$75.00 per capita range. Chemonics believes that their solutions, under their wastewater pilot activities, will cost between \$50.00 to \$80.00 per capita. This would cost a combined village unit (a main village and satellite villages ) of 10,000 people between \$500,000 and \$800,000. On average the cost of a wastewater system will be three to four times higher than a water system.

It is USAID policy to include a sanitation system with every potable water system. However, due to the high cost of wastewater systems, it will not be possible under LD II to supply, a wastewater system for all of the 1600 rural water supply systems that have been completed under DSS I.

A means must be developed to prioritize the implementation of wastewater systems, so that villages in the greatest need are identified. Prioritizing can best be done at the governorate level through the development of a master plan, for each governorate. The master plan would coordinate the plans of local units and the governorate, for activities involving potable water, wastewater, and roads. [See Annex 2C/A4, page 2C/18, for details.]

### (3) Technical Issues for Wastewater Projects under LD II

#### (a) Choice of Technology

Unlike rural water supply projects, there probably will be no typical wastewater system for rural Egypt. What will hopefully emerge is a range of technologies designed to satisfy a range of environments found in rural settlements. This range of technologies will allow the true application of appropriate technologies to problems.

Because the rural wastewater sector is relatively new, it is difficult to predict what technologies will be employed. This does not mean that the technologies to be employed under LD II are all new, many have been well proven in other countries over many years. Some however, will be new to Egypt. Others will be new, because new and creative solutions will be required to solve serious wastewater problems on a limited budget. And ultimately, local government must decide what technology suits its needs. The anticipated technologies can be grouped into four general categories: household solutions, community solutions, interim solutions, and ultimate solutions. Within these categories the systems have three functions waste collection, waste removal, waste disposal/treatment.

#### (b) Household Solutions

Household solutions are waste systems that are designed to satisfy the need of individual households. Pit latrines of all types, as well as septic tanks, are considered household solutions. Household solutions are best suited for small isolated villages, with populations under 5000, where it is not economic or practical to develop community-wide or regional systems.

#### (c) Community Solutions

Community solutions systems, such as a piped sewerage network with collection, disposal and treatment facilities. Community solutions have lower per capita costs than household solutions and are best suited for villages or towns with populations above 5000 people. An important consideration that the technical committees for LD II is the distinction between household and community solutions. It is likely that due to high cost, part of the

system's cost must be borne by the residents. It is, therefore, vital to determine what is community (public) and what is household (private). Once this distinction is made it will be easier to develop cost recovery systems to pay for operation and maintenance.

(d) Interim Solutions

There are few rural wastewater systems in Egypt. But, the demand is high, the need is high, and the relative cost is also high. Therefore, Egypt will be required to develop low to medium cost interim solutions that will satisfy "today's" sanitation requirements, before ultimate solutions can be developed and paid for.

Interim solutions include the vacuum sewage trucks that fan out from the marakez and governorates each day to collect household wastes which are then dumped into drains. Sullage collection systems and groundwater lowering systems are other forms of interim solutions. These appropriate technology systems will play a vital role in the near term.

(e) Ultimate Solutions

Ultimate solutions to wastewater problems will depend on community size and the funds available. These two factors will play as important a role in determining the appropriateness of the technology selected as much as environmental requirements and community wishes.

Ideally, large villages with populations over 5000 should be served with piped sewerage and treatment. However, due to budget constraints and limited technical capacity this ideal will require time and a willingness to upgrade existing water and wastewater systems before they deteriorate.

c. Rural Roads

(1) DSS I

Over 4000 km of gravel and asphalt rural roads were constructed. The rural roads are generally small feeder roads that were designed to improve accessibility within and beyond villages. BVS roads have eased the movement of agricultural goods and services to and from villages and their local markets, and stimulated local development by improving communications.

(2) LD II

Demand for road projects remains high. They were the second most popular DSS I activity.

### (3) Technical Considerations for Roads under LD II

In general, DSS I roads projects were constructed over or improved upon existing inter-village dirt paths or lanes. Design costs for these roads have been minimal. Initially, BVS funding criteria stipulated that the roads be gravel and not paved. However, due to the rains in the Delta and the increasing flow of vehicle traffic into rural areas the BVS gravel roads experienced much wear and pot holing. The governorates decided, therefore, to pave the gravel roads with governorate funds. The paving has increased the lives of the road projects and the operating lives of local vehicles. In July 1983 the IAC decided to change the funding criteria for BVS roads to include paving, USAID concurred.

In spite of the paving of BVS roads, there are still technical problems with road alignment, elevation, and road bed material. These problems stem from a lack of good design, (some engineers claim there is, in fact, no real design for these local roads), supervision, construction material, and insufficient road building and maintenance equipment. LD II will focus on the upgrading of existing DSS I roads as well as building new small roads.

#### d. Canal Maintenance and Lining

##### (1) DSS I

Canal maintenance and lining under DSS I/BVS consumed five percent of total BVS project funds. It consisted of the repair of or construction of cement/stone masonry angled walls inside existing canals to prevent erosion or leakage. The implementation of all canal projects falls under the jurisdiction of the Ministry of Irrigation.

##### (2) LD II

Demand for this activity is expected to remain low, in spite of the fact that many villagers complain that leaking canals are a fundamental reason for high groundwater problems in their villages.

##### (3) Technical Issues for Canal Maintenance/Lining under LD II

Because of the poor quality of construction it is doubtful that canal lining is providing its intended function. Cement stone masonry construction can be built to waterworks standards if done properly. However, this requires demanding techniques for tying the stonework together with cement and several coats of waterproofing material. If these standards are not met the canals will leak.

20'

Canal maintenance and lining can be improved under LD II. Canals can be built with a plastic waterproof lining that is relatively inexpensive. The FAO has conducted a successful appropriate technology canal lining pilot activity in Beheira, utilizing pre-mixed mortar in bag forms. USAID should study the results of this activity. BVS is now developing a village handbook so that villagers can understand the basic engineering and technical practices.

e. Solid Waste Management

(1) DSS I

The solid waste problem in Cairo and Alexandria is enormous. Over 4000 tons of solid waste are generated per day in Cairo; only half of the solid waste generated in Alexandria is collected.

In 1983 the Egyptian Government created solid waste collection organizations in Cairo and Alexandria. However, the organizations lack the sufficient and appropriate equipment to satisfy all solid waste collection and disposal requirements. The DSS I/NUS activity has addressed this problem through several interventions. These have included the provision of seven plastic bag factories and 207 four wheel tractor carts to 19 districts. Aided by a locally sponsored awareness campaign, the plastic bags have supplied a means for households to collect and dispose of solid waste. NUS funded tractor carts have enabled refuse collectors to remove solid waste from neighborhoods with streets too narrow for large city refuse trucks.

Much solid waste remains uncollected because district refuse trucks are often out of service due to poor maintenance. NUS has addressed this problem by upgrading the capability of governorate and district to repair cleanup equipment. The results have been mixed. The maintenance capability of the urban areas remains deficient in spite of technical assistance and the upgrading of maintenance shops.

NUS has provided LE 80,000 to each district for solid waste activities. Overall, the efforts have been successful, but the solid waste problem is continuing to grow along with the cities population growth.

(2) LD II

For LD II, the solid waste efforts will be increased for the four urban centers of Cairo, Alexandria, Suez and Port Said. Since service vehicle maintenance has been identified as a fundamental problem for the collection of solid waste, this will receive more attention under LD II.

More collection vehicles will be needed to replace the ones that are worn out but still running.

The main focus under DSS I was on the collection side of the solid waste issue. Therefore, under LD II more emphasis must be placed on the disposal and overall systems management. The Governorate of Cairo is closing three solid waste dump sites because of high amounts of air pollution and the potential for leachate contact with the groundwater table. To replace the dump sites, sanitary landfill sites must be developed. At this time USAID has no plans to fund these sites, but the NUS Project is offering technical assistance to Cairo.

f. Local Urban Upgrading Activities

(1) DSS I

Local urban upgrading activities as implemented through the NUS Project combine technical assistance to local government with actual physical improvement of the urban areas. These physical improvements emphasize construction activity rather than the provision of equipment. The physical improvements are solely oriented to low income neighborhoods or directly benefit low income neighborhoods. The actual implementation of upgrading activities is carried out by urban local government (mainly districts) and by PVOs.

Types of upgrading activities are many. Specific sub-projects by category are:

(a) Infrastructure-- paving, small bridges, street lighting, water supply, sewerage, garage equipment maintenance.

(b) Education-- new classrooms, new labs/workshops, new lavatories, renovations.

(c) Health-- new clinic additions, new hospitals additions, renovations of existing hospitals.

(d) Youth-- new youth centers/additions, playing fields, equipment.

(e) Markets-- shops, bakeries, pedlars markets.

(f) Social Affairs-- cultural centers, social centers, vocational centers, orphanages, libraries.

(g) Training Courses-- management, planning, project monitoring, budget/finance. Training is further sub-divided into specific types of the above courses. For example, health management, construction management, PVO management, etc..

NUS has achieved much success in the upgrading of urban areas. However, there are key technical issues that have emerged that must be dealt with during LD II, (ISTI, 1985).

a. Design Problems

Many of the buildings constructed under NUS used designs that were inefficient, inappropriate, and inadequate. Often, old standard designs were used without modification for specific site requirements. The plumbing and electrical aspects of designs were often inadequate.

Engineers at the district level are often inexperienced and lack the technical skills required to do good designs. Their standard designs are unimaginative and under-detailed. NUS engineers often helped to complete the designs. Engineers are reluctant to take responsibility by signing their designs, and often district engineers requests directorate staff to send them designs. Designs were slow in coming because NUS projects had low priority. (Priority may be due to incentive problems.)

b. Supervision Problems

A lack of qualified supervision is responsible for much of the poor construction work that then becomes maintenance problem. Workers often have lack skills and experience and therefore require vigilant supervision. However, experienced foremen are few. District engineers do not visit their sites often enough; they claim that incentives and transportation are lacking. The district engineers also claim that it is the responsibility of the NUS technical assistance contractor to supervise sub-projects. Finally, district governments either lack clout or refuse to exercise it with contractors. As a result, projects often are behind schedule or are unfinished.

c. Maintenance Problems

Maintenance of public facilities is usually poorly performed. District maintenance budgets are small and maintenance units are understaffed. The practice of deferring maintenance is ingrained. NUS projects are turned over to the service directorates for operations and maintenance but NUS maintenance funds are turned over to the districts. Furthermore, many NUS sub-projects are additions to existing buildings, but project maintenance funds are even inadequate to cover the addition let alone the existing structure. Part of the reason for insufficient maintenance funds is because the GOE is slow in releasing the money, which is part of their contributions to the project.

(2) LD II

The urban focus of LD II must initially concentrate on the the problem issues discovered during the implementation of DSS I/NUS. That

is, much consideration must be given to upgrading the existing infrastructure projects as well as implementing new projects. LD II must do this by improving its technical assistance to the urban districts so that problems concerning design, supervision, and maintenance can be mitigated.

(a) Improving Designs

Under LD II intensive skills training will be required for district engineers. The capacity of the private sector should be stimulated and utilized, especially where public sector capacity is extremely limited. A percentage of sub-project funds should be allocated for design work. This proportion should be on a sliding scale to compensate for the size and cost of the sub-project.

(b) Improving Supervision

Any solution to improve supervision must focus on how to encourage engineers to visit sites. Therefore, the GOE and USAID must find creative ways to supply transportation and travel expenses (incentives) to the supervisors. A portion of sub-project funds should be allocated to supervision costs. This can be established and maintained by the Urban Subcommittee of the ILDC. Though problematic, supervision is a critical issue and cannot be ignored or the quality of projects will not improve.

(c) Improving Maintenance

See Section II.E.1.c.(5), O&N Maintenance Facilities and Management, pages 32 and 33 of the PP.

3. Assessment of Local Technical Capacity to Plan, Implement and Maintain Projects

a. The Provincial Areas

(1) The Technical Capacity of the Local Units.

Local units have limited technical capacity but it is improving as a result of participation in local development projects. Nevertheless, the inability of government to fill technical positions on the executive councils greatly inhibits the ability of local units to plan, implement and maintain projects.

The success of DSS I is primarily because local government units have assumed a larger share of the responsibility for their own development. It can be argued that the technical capacity of local units is not as great as had been claimed during the early years of the program, but the theory of DSS I, (that development must be done by local people to be effective), remains sound.

34'

There are still major problems in the implementation of infrastructure projects by local units. In fact, if the situation does not improve many projects will cease to function or at most operate only marginally. In spite of the existing problems, there is reason to believe that the situation will improve because there is a growing willingness by higher levels of government to appoint technical personnel to fill vacant executive council positions. Governorate officials are aware of this problem and they wish to upgrade the executive councils through appointments of the needed accountants and engineers.

In many, but not all parts of Egypt, there are sufficient technical professionals at the governorate level, even a surplus in some governorates due to the national employment policy. The crux of the problem appears to be the unwillingness of urban educated professionals to live in villages and the unwillingness of the governorates to transfer these personnel to the village units.

In spite of the lack of technical capacity, the villages appear more than willing to take on technical projects, because they perceive the need to do so. Evaluations and project monitoring have noted that villages are now aware of their legal status and, as a result, have become more independent of central authority. Many village councils have changed project plans that were conceived at their governorate without village consent. Also, it has become common for village units to implement small locally conceived self help projects. Many villages donate their own labor to reduce the capital cost of rural water supply projects so that the systems can be enlarged. (But again, the savings in capital costs through the use of unsupervised village labor can decrease project quality and increase O&M costs).

In conclusion, the villages have the awareness and the will to implement projects, but they require the in-house technical capacity that can only be supplied by properly staffing the executive councils, and increasing, through incentive pay or transportation, the ability of markaz and governorate technical staff to reach village projects.

(2) The Technical Capacity of the Governorates and Markaz to support the Local Units (MHPU Engineers, Ministry of Irrigation Engineers, Roads Department Engineers.)

There are many qualified engineers in the governorates. A lack of incentives and limited work related transportation limit their participation in village.

The governorate and markaz technical staff participate in planning, do detailed designs for village projects, which they then review and authorize, and then oversee implementation/construction. However, much of the above work is done because these employees can earn

35

up to 100% of their salaries, per year, in incentives. When incentives cannot be authorized, such as in BVS, the quality of the work is reduced or the villages are left to supply their own sub-standard technical assistance.

The capacity to give technical assistance to the local units by the markaz and governorate engineers is also reduced by transportation problems. The villages that implement BVS projects are permitted to give a 1% discretionary fee to technical assistance but this, in fact, only covers transportation not the technical assistance. For LD II, a design and construction supervision fee would become an authorized use of project funds. This would increase the quality of village activities, and decrease O&M costs, even though it may slightly decrease funds used for capital costs.

For operations and maintenance, the villages must rely on the marakez and governorates for levels of maintenance that cannot be performed in the villages. Most governorate maintenance centers have the necessary equipment, (much of it supplied by the DSF Project). This is not the case in the marakez. Many marakez do not have appropriate or sufficient equipment to support the villages. LD II can better support village development by supplying the marakez with necessary equipment to support the villages. Also, the development of super maintenance centers (one in each governorate) with complete sets of equipment and quality technical assistance, will improve O&M for service equipment and related infrastructure.

Normally, water/wastewater projects, building construction, bridges, slaughterhouses, and bus sheds are designed and reviewed by Ministry of Housing engineers. Canal maintenance and lining projects are designed and reviewed by Ministry of Irrigation engineers. All roads by the Roads Department.

(3) The technical capacity of the public and private sector A&E/construction firms who construct local unit projects.

Most design work is done by governorate engineers. Quality of construction is generally fair but poor work is also evident. Many water projects are constructed by private sector firms. The quality of work is generally fair to poor. Roads are normally constructed by either the Roads Department or public sector contractors; this will vary across governorates. On average the quality of construction is good, but there are some technical problems.

(4) Coordination Between Projects

Local projects are not well coordinated.

From a technical and economic perspective it is vital that related infrastructure projects, such as roads, water and wastewater projects have their designs integrated during their planning. These types of projects are constructed on and under the streets and roads of the villages. Lack of long term coordinated planning for these projects will mean higher costs in the future, since post construction modifications will have to be made to integrate these projects. USAID and the LD II Steering Committees should recommend that related infrastructure projects be integrated through master plans developed at the governorate level.

b. The Urban Areas

The urban projects financed through NUS are implemented through the district councils and through private voluntary organizations -- PVO's.

(1) The Technical Capacity of the District Councils

The urban District Councils are, in comparison to rural village councils, more able to plan and implement projects. Normally, District Executive Councils have complete staffs. Therefore, their engineers can design and oversee the implementation of projects and their accountants can authorize financing.

Urban District Councils are in a better position than village councils to conduct needs analysis and then make these needs known to their governorates. The governorates develop project plans based on the needs analysis of the district councils.

The urban districts and governorates are in a better position to receive technical assistance. The distance between projects is great and the more qualified district council technical staff are better able to absorb technical advice.

Technical staff in the urban districts lack adequate transportation just as they do in the rural areas. Incentive pay has been authorized under NUS, but there have been problems in its disbursement. Therefore, projects don't get the attention that is needed.

The maintenance capacity is limited in the urban areas, as it is, in the rural areas. There is not enough equipment and maintenance equipment, is not well maintained. Also, there is no philosophy of preventive maintenance. Upgrading maintenance centers will be a major focus of LD II.

## (2) The Technical Capacity of the PVO's

There are about 1600 PVO's in Greater Cairo and Alexandria which are eligible for NUS grants. The major linkage between the PVO's and the government is through the Ministry of Social Affairs (MSA). The types of programs that the PVO's are associated with are social services, such as nursery care, youth clubs, sewing training centers, medical clinics, educational tutoring, food cooperatives, neighborhood beautification, etc.

It is difficult to generalize about the technical capacity of PVO's to implement projects because the types of projects that the PVO's are involved in are as diverse as the PVO's themselves. If a specialist is required that is not available within the organization (usually not the case) one can often be found and asked to contribute his or her time to the projects.

PVO's do good needs' analyses. Being local neighborhood organizations, they are more able than government to recognize the needs of people. This is the real value for PVO's for development. Where government has the technical capacity and funding to implement projects, the PVO's are more able to conceive projects. Good coordination, and even collaboration, between PVO's and government would facilitate appropriate local development.

## 4. LD II Interventions to Improve Local Technical Capacity and Selection of Technology

### a. Planning, Design, and Implementation Criteria

Criteria designed to improve technical capacity and selection of technology for sub-activity planning, design, and implementation are located in Part C.3 of this annex. These criteria can be developed in the future by the LD II Steering Committees and guide local entities who have responsibility for planning and implementation.

### b. Technical Assistance (TA)

In order to fill the gaps that exist in local capacity, technical assistance will be provided. Under DSS I TA to rural areas was not adequate. The primary reason for this was because neither ORDEV, the implementing agency, nor the governorates, nor the TA contractor had the resources to satisfy the needs of

the 800 + village units. Furthermore, even the villages that were targeted for the "roving" technical assistance supplied by the contractor, could not have been expected to absorb technical advice in segments of one or two hours, once every six months.

The training of trainers programs to upgrade TA, conducted by the contractors have been more effective, because key people were included. This type of training will be continued under LD II through the Saqqara Training Center.

TA in the rural areas, will focus on water/wastewater, the upgrading of existing projects and operations and maintenance. The provincial area is large. Therefore, the TA should be concentrated in regions, preferably with advisors living in that area, or concentrated on pilot projects in several governorates each year. If TA is not concentrated spatially the quality of projects may not improve.

The quality of technical assistance in the urban areas is higher because the local units (districts) have greater capacity than villages and because the distance between recipients is not as great. However, maintenance of service equipment is not adequate. TA to upgrade maintenance and existing projects will be a primary focus of LD II.

#### 5. 611(a) Requirement

Section 611(a) of the Foreign Assistance Act requires that no obligation of over \$100,000 U.S. funds shall be made "if such agreement or grant requires substantive technical or financial planning" until;

(1) "engineering, financial and other plans necessary to carry out such assistance, and a reasonably firm estimate of the cost" to the U.S. Government have been completed, and,

(2) any necessary "legislative action within the recipient country" has occurred or can be expected to occur in a timely manner.

The first consideration of Section 611(a) has been met in the context of this program. Because this program is focused on development of a decentralized planning process rather than on delivery of specific physical sub-activities, it is the development of this process that must be adequately planned to meet the requirements of 611(a). In this respect, a 611(a) analysis of the program is analogous to analyzing a project which is setting up an intermediate credit institution. It is a technical and financial analysis of the institutions' capacity to analyze and screen applications. This analysis of its operations and lending criteria must reveal adequate planning. The second consideration of Section 611(a) has also been met. Extensive legislation empowering local government to undertake decentralized planning, financial management, revenue generation, and infrastructure development was passed between 1960 and 1981. No new laws are needed.

The process of decentralized planning and development has been thoroughly tested during the implementation of all DSS I activities (Kerr and others, 1983). For LD II, the requirements for 611(a) would be satisfied because the decentralized planning process will be adequately developed through through training and technical assistance to local government. Furthermore, monitoring and evaluation of the local planning process by USAID, the GOE, and technical assistance contractors would highlight areas where additional attention will be needed to improve the process. Through this iterative feedback gradual improvements will occur that satisfy section 611(a).

The estimates of the cost of the program to the U.S. Government is based upon the experience gained during DSS I and is firm.

40

## B. ENVIRONMENTAL CONSIDERATIONS FOR LD II

### 1. Introduction

The LD II Program would be implemented by the GOE for the purpose of accomplishing the decentralization of planning activities. Specific activities, developed as an integral part of the program, would not require direct administrative involvement by USAID. The administration of LD II Program would be such that it qualifies for a Categorical Exclusion from performing an Initial Environmental Examination, an Environmental Assessment, and an Environmental Impact Statement based on AID Handbook 3, App 2D Environmental Procedures 216.2 (c) (1) (ii), "A.I.D. does not have knowledge of or control over, and the objective of A.I.D. in furnishing assistance does not require either prior to approval of financing or prior to implementation of specific activities that have an effect on the physical and natural environment for which financing is provided by A.I.D."

In spite of this categorical exclusion the LD II Program designers are concerned about adverse environmental impacts and the quality of LD II activities. Environmental TA and training would be included so that local government implementers of the subactivities are aware of the environmental consequences of their activities.

#### 1. The Environmental History of the Program Area

The LD II activities will be located in 21 provincial governorates and the cities of Cairo, Alexandria, Suez, and Port Said.

The program area can be divided into three distinct geographical areas - urban, Nile Valley and desert. More than 90 % of the inhabitants of the project area reside in towns and villages, along the Nile River, or in one of the primary cities of Cairo and Alexandria, or in either Port Said or Suez. The remainder live in desert oases in the western desert and Sinai or along the Mediterranean and Red Sea coasts.

Prior to the nineteenth century the Nile River, in Egypt, was a completely natural river system. Each year, after the monsoon rains in East Africa, the river rose and inundated the flood plain along its banks. After the flood, the river receded and drained the excess water from the cultivated and inhabited land.

During the 19th and early 20th centuries the British built a series of irrigation barrages on the Nile. The nature of the river began to change as more irrigation was permitted for longer periods each year. Also, the groundwater table rose, since the river was higher and drainage was permitted for increasingly shorter periods of time.

After the construction of the Aswan High Dam in 1968 the nature of the river was completely altered. Year round irrigation was permitted which increased farm production greatly. However, drainage of the land could no longer occur naturally, but required human intervention. The Egyptian government has drained 2.5 million fedans of agricultural land and plans to drain another 2 million fedans in the future.

41'

During this period of great human engineering on the Nile, the urban population also grew rapidly. Today, the towns and cities along the river are extremely crowded and are still growing. As a result, pollution of the air, water, and streets, with high concentrations of smog, liquid and solid waste, is ubiquitous.

The desert areas cannot support the high population densities characteristic of the Nile Valley. Land reclamation projects, in the Western Desert and along the fringes of the Delta are being implemented. Lack of fresh water is the major problem in this area. For example, as water is pumped from deep wells in the New Valley in the Western Desert the water table continues to fall and the cost of human habitation rises. In desert coastal areas, because the aquifer is intruded with sea water and there are small amounts of seasonal rainfall, habitation and dry land agriculture are possible through the use of brackish water wells and cisterns.

### 3. The Major Environmental Concerns in the Project Area

#### a. The Rural Areas

##### (1) The Nile Valley

The major environmental concern in the Valley is too much

"Throughout the Delta and in many parts of Upper Egypt, the groundwater level lies close to the ground surface, often within a meter of less. Groundwater levels have tended to rise over the past 10 to 20 years because the Aswan High Dam has allowed irrigation throughout the year instead of only seasonally as in former times. The rising groundwater levels are causing the formation of wet areas in villages resulting in damp floors and weakened foundations in houses built of unfired mud bricks. Further aggravating this wetness problem is the lack of proper sewage and wastewater disposal facilities in most villages. Where the soil is nearly saturated with groundwater, little infiltration of household wastewaters occurs and the low, wet areas soon become permanent pools of sewage. The high groundwater/wastewater disposal problem becomes even more acute with the introduction of piped water. As potable water use increases, the amount of wastewater discharged to the surrounding area also increases and the general soil saturation, dampness, and standing pools of sewage grows worse." (from the BVS Evaluation, March 1984).

b. In the Desert Areas

Problems related to the lack of water and the attempt to utilize desert areas for agriculture and human settlement. Settlements located on the fringe of the Nile Valley, and along the Suez Canal are able to exploit relatively inexpensive shallow wells. Settlements deeper in the deserts, however, such as New Valley, have been forced to drill deep wells to satisfy domestic and agricultural needs. As a result, the water table, containing ancient fossil water, is falling and the cost of water and living is rising.

While the situation in coastal desert areas is not as serious as inland areas, the cost of fresh water remains high. Bedouin settlements have existed for centuries in the coastal areas by capturing the limited seasonal rainfall and storing it in cisterns or by digging shallow wells that tap brackish water aquifers.

Today, Egypt is building a tourist sector and settling excess population in towns in the coastal areas. Therefore, fresh water and sewerage are fundamental requirements. Currently, fresh water must be transported by railway, truck, or pipeline from the Nile Valley or transformed from brackish water by one of several desalinization processes. All methods used are expensive.

b. The Urban Areas

The major environmental problems in the urban areas are the result of a combination of explosive population growth, insufficient and inadequate infrastructure and neglect. The results have been high levels of air pollution caused by industrial and vehicle emissions, and sewage lagoons in crowded neighborhoods due to the neglect of maintenance or inadequate sewerage capacity. Also, there are many unwatered/unsewered areas of cities because infrastructure development cannot keep pace with the rising demand for housing.

There are over 4000 tons of solid waste generated each day in Cairo and large, but unknown, amounts generated in Alexandria, Suez, and Port Saïd. Traditionally, a group called the Zabbaleen have collected some of the garbage in Cairo. However, quantity now being generated has outstripped both the Zabbaleen and the Governorate of Cairo refuse collectors. Small solid waste dump sites dot the cities' neighborhoods, and large, usually burning, dumps can be found on the urban fringes, often near informal housing sites.

4. Measures to lessen Environmental Problems under DSS I

a. The Provincial Areas

1. In the Nile Valley

The Environmental Analysis for BVS based on the premise that any environmental concerns would be within the three major categories of infrastructure projects: rural roads, water supply and

sanitation, and canal maintenance and lining. The Analysis anticipated that there was the potential for environmental problems associated with high groundwater and potable water projects.

(a) Rural Roads

In spite of the fact, that under DSS I/BVS over 4000 km of gravel and asphalt rural roads were constructed, major negative environmental impacts have not been noted. The BVS rural roads are generally small inter village feeder roads, constructed on existing lanes and streets, that were designed to improve accessibility.

Initially, BVS funding criteria stipulated that the roads be gravel and not paved. However, due to the increasing flow of vehicle traffic into rural areas the BVS gravel roads experienced much wear and pot holing. The governorates decided, therefore, to pave the gravel roads with governorate funds. The paving increased the service lives of the road projects and the operating lives of local vehicles. In December 1983 the IAC decided to change the BVS funding criteria for roads to include paving.

(b) Water Supply and Sanitation

It became apparent early in the BVS Project that there would be major environmental concerns associated with water supply and sanitation. As indicated in sections three and four above, village water supply projects are not the primary cause of negative environmental and health impacts in villages, but that they do contribute to the overall problem of high groundwater. In many villages, canal seepage is a greater contributor to high groundwater, than is potable water.

Nevertheless, the implementers of the BVS project identified the delivery of potable water into villages without wastewater systems as one probable cause of groundwater mounding under villages and thus a threat to environmental health. Many villages, especially in the Delta, have experienced inundation of their latrine pits with groundwater. Septic pools can be observed in low areas of in many villages, as a result of high groundwater or canal seepage.

BVS began to work on the ground water/wastewater problem in 1983. However, BVS involvement in wastewater activities developed slowly, mainly because of the nature of the DSS I program, which allowed local government to take the lead in determining its own priorities in the implementation of projects.

Initially, local government and village councils decided that their first priority was for the delivery of potable water. Now that this demand is being satisfied, local people realize that their excess wastewater is unsanitary, and must be removed from their villages. In villages being served by potable water systems, wastewater removal is now top priority.

Approximately 150 groundwater lowering projects were implemented under DSS I. Most of these projects were converted into sewerage projects intentionally or by environmental circumstance, due to high groundwater. This was a clear indication of correct needs analysis, by villages, but incorrect project identification. However, this was not the fault of the villagers, because low cost appropriate technology rural wastewater systems have not been available in Egypt. This problem is now being addressed by the BVS Project and will be a major focus of LD II.

In 1983 BVS funded two groundwater lowering demonstration projects, in two Delta villages, that have proven very successful. Village units with similar groundwater problems have observed the two pilot systems and constructed similar systems. Nevertheless, the demonstration projects are for replication only in villages where high groundwater has not mixed with sewage.

In 1985 BVS organized a sub-activity, under the Chemonics contract, to seek low cost, appropriate technology, household and community solutions to the groundwater and wastewater problems. Through this sub-activity, Chemonics currently has four full time engineers developing preliminary designs for six wastewater pilot projects in Menoufia and Damietta. The preliminary designs will be completed on 30 June, 1985. If the designs are approved by USAID and the IAC of ORDEV, the implementation of these pilot activities will begin under LD II.

#### (c) Canal Maintenance and Lining

A major contributing factor to the village groundwater problem, that is often underestimated, is from the seepage of water from unlined or improperly lined canals.

A minor activity of the BVS project is canal maintenance and lining. Proper lining and waterproofing of canals could be an important mitigating factor in the village groundwater and wastewater problem. However, many canals are not waterproofed or show evidence of cracking and deterioration. This activity deserves more attention under LD II.

#### (2) In the Desert Areas

To satisfy the water needs for agriculture and settlement in the Western Desert DSF supplied twelve deep well pump sets and accompanying generators to the marakez. BVS funds enabled the development of water supplies. Project costs, per capita, remain high in this area and lack of water will continue to plague development efforts. For these reasons, it appears justified for USAID to scale back its funding for this area. Additional funding could mean more in-migration and more exploitation of an already fragile environment, which may not be in the best interests of the existing inhabitants.

45

For the desert coastal areas, the water shortage is not as critical as for the inland areas, since brackish water has limited uses and fresh water can be imported, although at high cost. DSF and BVS have supplied thirteen desalinization units to coastal towns on the Mediterranean and Red Sea Coasts as a means to develop local fresh water supplies.

A second concern for the desert coastal towns, including Sinai, is their sewage. Many of these towns are developing to serve tourism and new settlers, but they have not solved their wastewater problems. Seaward outfall of sewage may be an easy interim solution, but this is polluting the very beaches that are required for the survival of the tourist industry. This did not receive attention under DSS I but may be of concern to LD II.

#### b. The Urban Areas

The Initial Environmental Examination prepared in 1981 for the Neighborhood Urban Services Project--NUS, stated that, "Environmental activity, individually, is anticipated to be small, localized, and of positive benefit. Neighborhood projects may involve street cleaning, garbage collection, sanitary improvements, or repairs of public water supplies. However, the composite statistics for disposal of street sweepings, solid waste and vault discharge, if concentrated, may result in environmental degradation of other areas. [Furthermore], unless coordinated with master planning efforts, interim solutions to physical problems may strain existing municipal resources for supply of potable water and sewerage and existing collecting facilities."

#### (1) Greater Cairo and Alexandria

The types of activities implemented under the NUS Project have attempted to improve the quality of life for the urban residents of Cairo and Alexandria by improving their neighborhood environments. NUS is an example of a project that has attempted to be more effective through actions taken to mitigate environmental impacts. Nevertheless, Cairo's environmental problems are enormous and growing and NUS has not been able to address the tremendous needs the cities have.

#### (a) Solid Waste Management

The enormous solid waste problems in the urban areas has fostered a public awareness of the problem and a desire for solutions. Law 284 of 1983 formed the Cairo Cleaning and Beautification Authority (CCBA), as the entity responsible for the collection and disposal of solid waste. (There is a similar organization for solid waste collection in Alexandria.) The efforts of the CCBA and the Zabbaleen, together, are inadequate in dealing with Cairo's solid waste problem. The CCBA lacks the appropriate equipment to execute its designated role, and the Zabbaleen are too few. The fleet of refuse collection equipment is very

46'

mixed, with obsolete worn out vehicles to the most modern compaction trucks. Furthermore, maintenance is inadequate and vehicle downtime is high. The NUS activities that have addressed the above problem include the provision of seven plastic bag factories and 207 four wheel tractor carts to 19 districts. Aided by anti-litter awareness campaigns, the plastic bags have supplied a means for households to store and dispose of solid waste. The tractor carts have enabled refuse collectors to remove solid waste from neighborhoods with streets too narrow for refuse trucks. NUS has also developed a equipment maintenance program to upgrade maintenance and service vehicles for Greater Cairo and Alexandria. NUS solid waste activities have been successful, but have only focused on the collection side of the solid waste problem.

(b) Public Tap Stand and Sewerline Construction

Many informal housing areas do not have hookups for potable water or sewage. The NUS Project has supplied 72 public tap stands, with eight taps each, to unwatered urban areas. Also included in this activity are 9500 meters of water distribution lines, which are connected to urban supply lines. Removal of wastewater has not been neglected by NUS. Over 16,000 meters of sewer lines and 10,300 meters of vertical sewer lines (building drains) for apartments, have been connected to low cost/informal housing neighborhoods. Treatment of sewage is beyond the scope of NUS, and is being supplied by other GOE/USAID programs.

(c) Street Paving

Unpaved streets and alleyways in urban neighborhoods are usually pot-holed, rutted and dangerous for pedestrians and vehicles. They are also ideal receptacles for standing pools of septic water. NUS has attempted to mitigate this problem by paving 812,000 meters of streets and alleys in Cairo and Alexandria.

5. Measures to reduce Environmental Problems in LD II

a. In Provincial Areas

Presently, low to medium cost appropriate technology wastewater/sanitation systems are being developed as interim solutions. These systems should prove adequate for Egypt for the near future, until area wide water and wastewater companies can be financed and constructed to serve entire marakaz or even entire governorates.

There are also other measures that should be considered under LD II to mitigate the wastewater problem. Initially, the wastewater problem should be attacked via potable water systems, before the potable water becomes wastewater. Water supply systems are not adequately constructed. Tanks leak or they are off line. Pipes are poorly laid and joined, they commonly lose up to 70% of the water that is pumped through them. Therefore, fixing these rundown systems should be top priority for LD II. Activities that decrease wastage may be more

important than groundwater lowering projects in ridding villages of septic pools and backed-up latrines. Canals near villages contribute unseen but high amounts of groundwater to villages. They should be lined and waterproofed. A new lining procedure that is effective and inexpensive has been implemented by the FAO in Behiera on a pilot basis. This method should be explored by USAID and the IAC.

Six demonstration projects in two Delta governorates using appropriate technology solutions for wastewater collection and disposal are being implemented. The solutions in order of precedence are: small bore variable grade sullage networks, wastewater stabilization ponds, sludge drying, neighborhood solid waste receptacles, and improved latrines. It is hoped that solid waste receptacles will keep drains from becoming clogged with refuse.

At the present time, there is a growing debate in Egypt concerning the most appropriate types of water and wastewater treatment plants. DSF has supplied 33 surface water compact treatment units to a number of Nile governorates. Also, private firms are selling compact water treatment units, claiming that they are small and "easy" to operate. The fact remains that these units have not really been proven in the environment. LD II will continue the study of these units to ascertain their economic and environmental appropriateness.

A situation such as this occurred, recently, in a Delta governorate. The local politicians were told that the compact unit was a good answer to their wastewater problems and, furthermore, utilized little land. However, when the yearly operations costs were calculated, it was found that the system probably could not be financially supported by the governorate. Furthermore, the off-shore firm that sold the units, roughly estimated that the areas' Liters Per Capita Per Day (LPCPD) water consumption was 55. A more recent detailed study has calculated the LPCPD to be 140 in the project area. Therefore, the system probably cannot support the current demand let alone future demand.

For LD II, USAID and the GOE should consider more appropriate wastewater systems, such as: stabilization ponds, and aquaculture ponds. These systems do utilize more land but they can probably be maintained in Egypt using mostly local material.

Finally, the land issue in Egypt cannot be underestimated. It is of paramount importance and will play a large role in the selection of all treatment units. This is the primary reason that many local governments are opting for small but complex treatment systems, such as compact units and oxidation ditches.

USAID under LD II will study, over time, the units that have already been procured to ensure that this technology is appropriate and can be maintained under local conditions.

The situation is similar with the wastewater treatment issue. Land is nearly sacred in this country, where 95% of the land is not usable. Consequently, it is not difficult for a private firm to sell local politicians compact wastewater treatment plants that are claimed to utilize small amounts of land and are "easy" and "inexpensive" to operate. Therefore, all proposals submitted to the PSC/USC or local government, from public or private sources, for treatment plants should, in great detail, estimate capital costs, long term recurrent costs, operator qualifications requirements, and actual land requirements. The evidence so far indicates that this type of detailed information is not being supplied to local government. With this type of information in hand, local governments will be more able to estimate the trade-offs between land requirements and the most appropriate treatment systems for their constituents.

### (2) The Desert Areas

The per capita water requirements and per capita costs for water systems in the inland desert areas are high. Furthermore, from an environmental perspective it may not be wise to induce more migration into these inland deserts where the water table continues to drop. For these reasons, it may be justified for USAID under LD II to reduce funding to this area. Additional exploitation of this fragile environment may not be in the best interest of the existing inhabitants.

For the desert coastal areas that are already using sophisticated desalinization and demineralization units, the use of more of these units will be considered under LD II. As is the case with the river water/wastewater treatment units used along the Nile, questions concerning cost and appropriate technology arise. The operations of the existing units should be studied prior to the purchase of new units to ensure that this technology is appropriate. Finally, cost comparison analysis should be done to ensure whether the desalinization units, over the long term, are more cost effective than the transport of water from the Nile by pipe or other means.

### 3. In the Urban Areas

NUS activities have a positive effect on the urban environment. Under LD II, urban activities would follow the same activities trend set by NUS but include more emphasis on the rehabilitation of educational facilities and the upgrading of maintenance centers. The primary emphasis of NUS was on the collection of solid waste and removing it from immediate neighborhood environments. This activity benefited the local neighborhoods.

Today, there is rising concern for the ultimate disposal of the solid waste. The Governorate of Cairo is closing three nearby dump sites because of air pollution and the potential for leachate contact with the watertable. Cairo plans to develop sanitary landfill sites to replace the dumps. It is likely that Egypt and other donors will fund the

sanitary land fill project(s). USAID has no plans at this time to fund these projects but has been asked to supply technical assistance. If under LD II, USAID does become involved in the funding of urban sanitary landfill projects an environmental assessment or impact study will be performed.

### C. ENVIRONMENTAL AND TECHNICAL PLANNING AND DESIGN CRITERIA

#### 1. Introduction

The designers of LD II recognize that there have been environmental and technical concerns associated with various DSS I project activities and that there is the potential for these same types of concerns in LD II. As a means to improve the quality of project design and implementation, a list of planning and design criteria, presented here, can serve as a guide to the appropriate Provincial, and Urban committees. The committees would make recommendations to the local government entities who receive and utilize LD II funding for implementing local projects.

Planning and design criteria do not guarantee that project quality will automatically improve. Recommendations take time to be absorbed and become institutionalized. In order for this to occur, the project implementers must be aware of the value of the recommendations and be reminded, on occasion, when environmental and technical planning and design criteria are being violated. For criteria to be meaningful the process should be a learning experience for the project designers as well as implementers.

The criteria would be passed by the ILDC and be built into the technical assistance and technical training.

#### 2. The Monitoring System

Next, the iterative system of field monitoring can further integrate design criteria into the implementation of local projects if local implementers recognize monitoring as being a useful learning tool for themselves and as a method of making their needs known to higher authorities. Including those organizations currently monitoring DSS I activities, LD II will attempt to bring the technical offices located at the local level into the monitoring system of the program. By placing part of the monitoring system at the local level, where the projects are implemented, the recommended planning and design criteria and monitoring findings should become more meaningful to project implementers.

### 3. Planning and Design criteria for the Technical and Environmental Analysis of LD II

#### a. Water and Wastewater

The greatest potential for environmental concerns exists within the water/wastewater area. As a result, the majority of design criteria recommendations will fall within this area.

50

(1) Potable water projects and wastewater projects should be considered as a continuum of systems and constructed in sequence. When a village requests and is granted a potable water project, it will be understood that a wastewater or sanitation project will be undertaken next.

Discussion:

It is preferable from a technical and economy perspective to construct a piped wastewater system before or during the construction of a potable water system, since wastewater lines are normally deeper than water lines. If a wastewater line is installed after the construction of a water line, some parts of the water line may have to be removed in some locations and reinstalled, thus adding to costs and inconvenience. However the reality of local development in Egypt, with its scarce resources, will probably not permit the construction of water and wastewater systems together. The high cost per capita and per local unit would restrict wide spread development activities. Furthermore, low cost appropriate solutions, now being developed, may not require piped sewerage in all locations.

(2) All water/wastewater projects should have a detailed design and qualified construction supervision. An average of 10% of each project's funds should be estimated for a detailed design, and 5% for qualified construction supervision. The actual percentage figure should be calculated on a sliding scale to compensate for variable project costs due to project size.

Discussion:

Engineers for the World Bank rehabilitation of the Beheira Water Company claim that entrenchment and pipe laying, by villagers, is of very low quality, mainly due to a lack of qualified supervision. Much recently installed pipe from village water projects has had to be removed and replaced with new pipe under engineering supervision.

Governorate Ministry of Housing engineers design and oversee construction of village water systems after office hours; they should be compensated for this activity. By law, they can accept limited incentives through their governorate, of up to 100% of their yearly salaries. This type of incentive program has not been available to them from AID funded projects, which has caused neglect of those projects. If they were fully compensated for this design work and construction supervision the quality of projects may improve. Furthermore, this may also stimulate greater private sector involvement in design. Private sector engineers should be the major target for the future, because the Housing engineers are now forced to review the same work that they design. But for now, the major group targeted should be based on local capacity; give the work to those who can do it now, and simultaneously build capacity for the future.

(3) Before additional water pumps are approved for procurement a water wastage survey should be conducted in order to establish the presence of wastage in the system.

(4) Before additional water pumps are approved for procurement, beyond the design capacity of the system, the community will be required to repair any water storage facilities (tanks) that are off line.

Discussion:

Prefer to live in single story rather than high rise housing, is that water pressure is typically low for high rise dwellings. This contributes to settlement sprawl and the unwarranted use of agricultural land. Water systems that make full use of gravity flow facilities, (water tanks), ensure proper water pressure for high rise dwellers.]

(5) Flow restriction devices should be utilized in all potable water projects to meet established liters per capita per day demand, but not more, in order to reduce wastage.

Discussion: Recommendations such as 3, 4, and 5 could have a major impact on water wastage in systems where there is significant leakage. (Above 20% should be considered significant in Egyptian water systems. Estimates of wastage are between 20% and 70%. The Binnie/ Taylor engineers in Behira estimate 60% wastage due to leaks in Behira rural water systems.) Any means that reduces water wastage will reduce the required capacity and cost of wastewater or sanitation systems and could have an impact on reducing perched water tables under villages.

(6) The recommended quality for water supply are the World Health Organization's "International Standards for Drinking Water", Third Edition (1971) [C]. These standards are quite rigorous and may be difficult to meet, and should be considered as a long term goal. The immediate goal should be safe water in adequate amounts.

7) Water treatment systems that require large amounts of imported equipment should only be used if there are no other alternatives.

Discussion: Compact Water treatment systems that are imported from off-shore rely on imported parts and high technology. The operation of these systems should be observed over time, in order to determine their appropriateness to the environment. Existing units that have been procured through DSF or purchased by local government should be test cases.

(8) Because USAID has already imported a large quantity of package water treatment units, LD II should develop a special training activity for treatment unit operators if it is determined that the initial training provided by the suppliers is insufficient or inappropriate.

(9) Each village water/wastewater project should have a operations and maintenance manual.

Discussion: The manual should contain an explanation of project components, including specifications, operating capacities and limitations and maintenance requirements. The manual should give an example of a periodic maintenance plan.

10) In governorates where water companies are in existence, LD II water projects should be coordinated with the master plan of the water company through the executive council of the governorate.

Discussion: Where it is anticipated that an LD II water project, designed for self contained use for the present time, will at some point in the future be connected to the water company circuit, the LD II system should be constructed with water company specifications under consideration.

11) Water and wastewater systems should be selected on the basis of relative cost analysis and appropriate technology

Discussion: It is not cost effective to build large amounts of extra redundancy into water and wastewater systems, at high cost, to compensate for poor operations and maintenance practices. It is more effective to upgrade operations and maintenance.

12) USAID, under LD II, should commission a study to determine whether or not the standard A-C pipe coupling used in Egypt is adequate in preventing leakage.

#### b. Canal Maintenance and Lining

(1) Canal maintenance and lining projects should be adequately waterproofed.

Discussion: Many villages located irrigation and drainage canals experience water seepage from unlined canals and lined canals that are not properly lined or waterproofed. This is a major cause of high groundwater in these villages. The FAO has implemented a pilot project in Behiera line canals with inexpensive waterproofing material. This should be explored by USAID.

53

c. Road Projects

(1) All road projects should be constructed from detailed designs. Design and construction supervision fees should be included in the project cost.

(2) During road construction activities the public health of local inhabitants must be considered. Dust should be kept under control through spraying. Embankments should be reseeded as soon as possible. Truck traffic should avoid densely populated areas if possible.

(3) New road projects should avoid natural areas and archeological sites.

d. Solid Waste Management

(1) The ultimate disposal of solid waste either by land fill or incineration should be preceded by an environmental assessment.

Discussion: There are no plans at this time for a solid waste disposal activity for LD II. However, if the urban component of LD II does become involved in a disposal activity, because of its association with collection activities the implementers must be aware of the environmental implications of ultimate disposal.

54'

D. Environmental Certification -- attached.

# memorandum

DATE: 07 August 1985

REPLY TO  
ATTN OF: DR/UAD, John C. Starnes, Mission Environmental Officer

SUBJECT: LDII Project Paper  
Environmental Analysis

TO: DR/LAD, Fred M. Pollock

Dr. Stephen F. Lintner, Bureau Environmental Coordinator, has delegated final approval authority for the environmental review of the LDII Project to the Mission Environmental Officer.

The LDII Project will be administered by the GOE for the purpose of accomplishing the decentralization of planning activities. Specific activities will be developed as an integral part of the project and will not require direct administrative involvement by USAID. USAID will commit funding to this project prior to the development of these specific activities.

The administration of the LDII Project is such that it qualifies for a Categorical Exclusion from performing an Initial Environmental Examination, an Environmental Assessment, and an Environmental Impact Statement based on AID HANDBOOK 3, App 2D Environmental Procedures 216.2 (c) (1) (ii) "A.I.D. does not have knowledge of or control over, and the objective of A.I.D. in furnishing assistance does not require, either prior to approval of financing or prior to implementation of specific activities, knowledge of or control over, the details of the specific activities that have an effect on the physical and natural environment for which financing is provided by A.I.D."

The project focus is on the development of a decentralized planning process. It is apparent that environmental and technical mistakes are likely to result in the course of project implementation; however, LAD staff has recognized that there is a potential for adverse environmental impacts. Accordingly, they have included within the Project Paper an excellent set of planning and design criteria which could mitigate adverse impacts. These guidelines were developed as a result of field experience with previous projects and as a result of discussions with various technical experts. The criteria is to be incorporated into the technical assistance and training that will be offered by USAID technical assistance contractors and the Saqqara Institute of ORDEV.

In an effort to encourage villages to select appropriate technology choices, pilot projects will be developed. These pilot projects will demonstrate low-cost, appropriate technology.

5/6

It is noted that the planning and design criteria can only be recommended to the project implementers. It is recognized that considerable time will be required before the criteria will be accepted.

A monitoring system is proposed; however, the magnitude of the project is such that it will be virtually impossible for AID to monitor in detail each individual activity. Hopefully, the monitoring program will be sufficient to determine whether the general trend of the LDII Project is providing adequate environmental safeguards during implementation. I am concerned that the monitoring program is in reality little more than an "after project evaluation". The nature of the project is such that it is unrealistic to think that funding will be stopped if the criteria is not followed.

The writers of the LDII Project Paper have indicated a keen awareness of the environmental concerns associated with this project and have developed an excellent environmental program considering the constraints imposed by the nature of the project. With proper management, the proposed program should adequately address major environmental concerns. Accordingly, I am approving the environmental program included within the paper.

cc: LEG/AD, KO'Donnell  
OD/UAD, FZobrist  
AID/W ANE/PD/ENV, SLintner  
AID/W ANE/PD/ME, TTiff  
AID/W ANE/TECH/SARD, BMiner  
AID/W GC/ANE, RJohnson

DR/UAD:JStarnes:js:8/11/85 5522D

57'

ID8886D/0002A

ANNEX 2-D

Social Soundness Analysis

- 58

(8886D/0002A)

LOCAL DEVELOPMENT II PP

ANNEX 2D:  
Social Soundness Analysis

I. Sociocultural Feasibility

A. Compatibility of Local Development (LD) II with the Sociocultural and Political Environment

The sociocultural and political environment in which the LD II program will be carried out is one of increasing local autonomy and limited, but increasing democratization of decision-making for the provision of basic services to urban and rural citizens. The USAID Program objectives are consistent with the GOE philosophical commitment to a Program of Decentralization. For example, during the April 10, 1985 meeting of the GOE technical committee for the design of LD II, H.E. Hassan Abu Basha, Minister of Local Government, stated that the LD II program "is all in support of a democratic process of government." He pointed out that all projects must be approved by local councils who express people's needs, and then monitor, and supervise projects." Concerning broad-based participation, the Minister stated that "local units must mobilize people...without this we cannot cope with development demands." (Excerpts from a speech by Minister Abu Basha at the April 10 AMANA meeting. See G. Kerr memo, May 16, 1985).

By law, local government units have substantial administrative and management responsibilities to carry out a wide range of tasks in the delivery of basic local services, but they lack sufficient resources, experience and technical assistance to effectively plan and implement activities at the local level. During the DSS I Program, local government has proved that they can assess local needs and plan projects. However, they did not receive adequate technical assistance from the directorate offices located in the marakez and the governorates so that high quality projects could be implemented.

This program would be a continuation of the Decentralization Sector Support (DSS I) program designed to assist the GOE establish the institutional capacity to plan and implement the plans for local development at the national and local levels and a national budget process allocating adequate funds for decentralization. The expansion of the process set in motion under DSS I, namely the LD II program, is compatible with the sociocultural and political environment of increasing local autonomy to provide basic services to urban and rural citizens.

Since the mid-1970's Egypt has been changing its local development strategy from one of directing economic development from central ministries to one which places responsibility and authority on local governments to confront and solve local development problems. A

series of enabling laws were enacted throughout the 1970's in the People's Assembly that have changed Egypt from a country with local administration controlled from Cairo, to one with local government which increasingly democratizes the decisions made to bring about economic development. (Decentralization Sector Review/Analysis, Sector II PID: USAID/Cairo, May 1984).

#### B. Compatibility of LD II with Existing Administrative Structures

In Egypt, a local government system is already in place and the legal basis for decentralization has already been established. The relationship between governorates and central government is changing and being redefined. For example, governors and governorate popular councils do enjoy increased responsibility and status in the overall system. Governorates are increasingly responsible for much of the implementation and management of public infrastructure and services, such as basic education, health, water and sewerage and roads.

Governorates do not, however, have effective fiscal control because of currently structured central-local fiscal relationships. The LD II program goal of institutionalizing a process that will provide the wherewithal to improve operation and maintenance expenditures for services, equipment and infrastructure cannot be fully realized unless the fiscal system under the direction of the Ministry of Finance and the Ministry of Planning is decentralized. Furthermore, local village units do not have effective fiscal control because local accounting units have not been established by their governorates. Establishing accounting units to villages will be a policy dialogue issue for LD II.

The substantial progress made by the GOE to decentralize decision-making to local government over the past several years will be hampered until some structural changes occur in the central-local fiscal relationship. However, LD II will utilize a fiscal model that will enable the GOE, through its contribution to LD II, to develop a system to finance the operation and maintenance of infrastructure. If this system is successful and becomes institutionalized, an environment will exist where the necessary GOE central-local structural changes can occur.

### II. Population and Beneficiary Profiles

#### A. Density, Location and Beneficiaries

The targeted population is low income residents in urban districts and provincial cities and rural villages.

The vast majority of these residents live in highly congested conditions where social and economic infrastructure is either woefully inadequate or non-existent. Many "villages" range from 20-40,000 in population size and urban districts in Cairo and Alexandria may have a population of 1,000,000 or more inhabitants. (Sector II PID, USAID/Cairo, May 1984).

The indirect beneficiaries of the program will be the low income inhabitants of these rural and urban districts in the 26 governorates of Egypt. The direct beneficiaries will be the 1100+ village and district jurisdictions with increased ability and authority to provide basic services. Although the beneficiary focus will be on the public sector, benefits will also accrue to the private sector: most of the infrastructure subproject activities will be performed under contract by private Egyptian firms; and the LDF project directly and indirectly benefits private individuals.

#### B. Benefits Accruing to Targeted Populations

This program is expected to expand the socioeconomic impact realized under DSS I where the quality of rural and urban life was substantially improved by infrastructure development. The value of water subprojects was increased by at least 25% due to local contributions. As a result of the investment in improved roads, water supply and canal systems, villages (which already had electricity) were considered by inhabitants as better places in which to live. In instances where villages were near major towns suffering from housing shortages, it was found that some people chose to live in the village and commute daily to their work. Roads built facilitate movement to and from the villages, to farms and to towns and markets. Water systems constructed help improve village sanitation and cleanliness. This is instrumental in making villages safer places in which to live.

#### C. Local Participation

One of the major issues of local development is local participation. This can be achieved not only by passing laws and legislation but also through the continued upgrading of the capabilities of local people to decrease their dependence on the central government. This was a primary objective of DSS I and will continue to be under LD II.

Local revenue generation is one of the most pressing issues facing the localities. Local resource mobilization, user charges and people's participation are the major issues that must be addressed in the process of strengthening local development. (Local Development II (LD II) Overview, p.9).

Local jurisdictions usually lack the authority, incentive structures and resources necessary to adequately address local needs. The central government exercises authority over most resource and expenditure decisions which has served to create conditions of local passivity and dependency on central handouts. LD II is designed to alleviate these constraints through institutional reforms at all levels of government by increasing discretionary authority and incentives for local jurisdictions to mobilize resources in addressing their own development needs. These expanded capacities and opportunities for local retention and control of revenues will provide a stronger set of social and economic incentives for local constituents to participate in selecting and financing projects which yield immediate and direct benefits.

61

### III. Obstacles to Full Realization of Project Purpose

#### A. Lack of Fiscal Decentralization

One of the obstacles to full realization of the project purpose is the lack of fiscal decentralization. Decentralization of decision-making and the motivation for local resource mobilization, to be fully effective, must be based on local control of expenditures, particularly for Bab II (non-labor recurrent costs). Without this control, local governments will be reticent about mobilizing resources. (Working Paper 13, p. 16).

Control over local expenditures alone will not be enough to constitute substantial decentralization. Concomitantly, revenues must be generated to permit decisions on the level of expenditures. For example, if increases in new operations and maintenance expenditures are to be financed by mobilization of revenues at the local level, greater revenue raising capacity must be available. Those taxes and fees over which the local governments have control are currently too limited and the rates which can be applied are limited even further, as authority for increases must come from the Cabinet.

Two major advantages would result from an improved legal arrangement and atmosphere for mobilizing local resources. First, service delivery will improve as local governments have adequate resources to operate and maintain the facilities. Second, the necessity for central government transfers will be lessened as local governments generate more of their own resources. This cannot be a complete substitution, but the necessity for central taxes to support local services provision can be lessened.

Another major obstacle to full realization of project implementation is weak horizontal communication and linkages at all levels of government. There is a need to improve and strengthen horizontal linkages between line ministries. For example, the January 1985 NUS evaluation report points out the need to strengthen linkages between the governorate level directorates and their district level departments.

The delegation, to governorates and districts, of responsibilities formerly retained by central government ministries requires horizontal cooperation among a number of semi-autonomous service departments to respond to local needs. LD II will increase its involvement at the marakez and governorate levels in order to facilitate improved coordination amongst all levels of local government.

One strategy for creating horizontal communication is ministry and governorate coordination of programs through the Sector Steering Committee (SSC), Sector Subcommittees, the AMANA, and through the governorate level LDCs. The purpose of these coordinating bodies is to provide a mechanism for horizontal communication and cooperation.

Another strategy for improving horizontal or lateral linkages would be management workshops for district chiefs and team building workshops in the districts for district professional staff.

The district chief is pivotal to this local problem solving process, and for this reason one type of workshop should focus on helping him to understand his management options and improve his skills at maintaining lateral linkages among the units of his domain and how to coordinate with service departments and water authorities, and how to create a team out of disparate unit representatives.

#### IV. The Role of Private Voluntary Organizations (PVOs)

The Neighborhood Urban Services Project (NUS) has provided substantial support for building the capabilities and performance of Private Voluntary Organizations (PVOs) in urban community development. The evidence of success justifies continued support for PVO activities under the LD II Program, in order to help provide basic community services for the poor on an expanded scale.

PVOs as organizations fit very well within the decentralization concept. They are embedded, locally rooted organizations with all of their membership from the local area, they serve communities which often have almost no other public social services or very limited services, and by and large, they are able to recover much of the cost of the services they provide through user fees, rents, and donations. (NUS Phase II Evaluation, sec. VI p. 14).

The relative independence of PVOs in administrative operations means that support and assistance will necessarily take a different form than in the case of government social service agencies. In the context of encouraging decentralization and local autonomy and self-sufficiency, these PVO characteristics are clearly organizational qualities that make them deserving of support.

PVOs have, in general, been established with the aim of providing social services, increasing public participation in community affairs, and developing the skills and community resources necessary for socioeconomic change.

PVO programs are widely diffused in the communities they serve, and offer very low per capita costs relative to other forms of service delivery (where alternative services exist). In 1983/84 fiscal year, for example, PVO health programs served an estimated 500,000 beneficiaries. For many of the individuals served, PVO clinics and dispensaries are the only convenient and affordable health care and medical attention to which they have access.

Consistent with this pattern of service and organizational improvements, most of the available surveys on PVOs indicate that the two primary needs of PVOs are for additional funding and technical assistance from experts who could help them select the most appropriate approach to further increasing local participation in community affairs. A concern of decentralization efforts in Egypt has been the broadening of popular participation in planning and implementing local services. The 1981 Delta Business Survey found that PVOs have the potential to accommodate considerably higher levels of public participation in all aspects of project activities.

The 'sustainability' of project activities is an increasing concern of development planners. In this area the PVO record is unquestionably sound. In many cases, PVOs have been in existence for several decades and only recently has outside funding and assistance become available. There is a clear record of organizational momentum and community support which suggests that PVO services will likely be as effective and long-lasting as any identifiable alternative.

In a number of important areas, voluntary organizations have recognized advantages over government agencies in working with target groups, particularly in view of the excessive bureaucratization and apparent incapacity of government agencies to reach the poor. Decentralization and community development will both be well served by continuing support for Private Voluntary Organizations in Egypt.

#### V. The Role of Local Popular Councils (LPCs)

In 1971, President Sadat endorsed the concept of local government through the creation of two councils at the governorate level: The Popular Council and the Executive Council. This system was intended to establish dual organizations at each level of local government. A total of 808 village council areas were also established, each incorporating a main village and several satellite villages and typically including some 150,000 to 200,000 people. The villages elect a popular council of 17 members, one of whom must be a woman. The council members then elect a chairperson from among themselves. The village executive council is composed of the senior representative of each government ministry active in the area and is presided over by a chairman who is appointed by the central government and is responsible for the implementation of all government programs and policies in that area. (Elliot 1983 p. 4)

64

USAID has given considerable attention to supporting this decentralization effort through ORDEV and the local grant program for village councils under ORDEV administration. Since 1973, ORDEV has been making grants available to support and strengthen local village councils. The decision was made by USAID to bolster this process by providing additional low-interest loans to village councils to provide capital for local infrastructure and profit-making activities. The record of local council borrowers has been highly dependable: The default rate on loans has been zero, late payments have been minimal.

As elected representatives, the Local Popular Council members are, in theory, in touch with and responsive to the needs of their constituents. The record of DLPCs generally confirms that they are effective agents of popular needs, but there is considerable variability in actual performance. Elliot (1983) interviewed village residents to ascertain attitudes toward the village councils. "Discussions with people in the village identified a feeling of distance from the Executive Council and the Local Popular council, and a sense that the activities of these councils were removed from the every day concerns of the villagers." In other cases, however, where council activities have included not only municipal projects but small income generating loans such as chicken batteries, the relationship between the council and villagers appears more direct and cooperative. "From analysis of the interaction between elected members and their constituencies, few constraints were identified." (Loza, 1981, p. 15) "In general, DLPCs are extremely important in processing the daily demands of the people. (Ibid, p. 16). Finally, a primary indicator that local projects are demand driven, ie. selected by the local population, is that the projects selected satisfy basic community needs. Projects such as water, sanitation and roads are true basic needs projects; they have high local demand in less developed communities worldwide. And these are the principle projects selected under DSS I and they will continue to have high demand under LD II. Therefore, regardless of the means, local needs and desires are being analysed and acted upon locally.

An earlier social soundness analysis (Loza, 1981 and, 1981a) noted that the DLPCs can encounter other kinds of problems in administrative performance. These included 1) limited authority, 2) uncertainty concerning responsibilities and authority vis a vis the executive councils, 3) a lack of incentives for educated and well trained individuals to become involved in the DLPCs, and 4) conflicts between community interest and the vested interest of council members. (1981a p. 3)

In addition, the common complaints presented to DLPCs are often beyond the realm of successful local intervention. For instance, solutions to the widespread problems of the lack of potable water available in houses, sewerage overflows, poor schools, environmental health hazards, shortages of food and problems in its distribution, shortages of housing, and inadequate public transportation are usually

65

beyond the capacity of the Local Councils. "The LPCs are often called upon to "act upon these problems, without realizing that these issues are beyond their sphere of authority and responsibility. This non-clarity of spheres of responsibility and authority, the limited financial resources, and the magnitude of problems both in size and number all lead to distortions of priorities and recommendations. (Loza, 1981, p. 17)

Another example of the gap between Councils and the local populace is in the mechanism of project selection from the Local Development Fund. Often, requests by local citizens are not the source of the project request. Usually, the initiative comes from the head of local villages, from inside the Popular Council (LPC), from the Executive Council, ORDEV, and sometimes from even higher in central government circles. "In other words, no single project was initiated by the people themselves. If we consider the popular council as representing the people, we can say that one-quarter of the projects were initiated by the beneficiaries while the majority were initiated by the village head or the executive committee." (LDF/DD I Case Studies Summary)

Given the remoteness of most central government institutions, the LPCs represent a relatively accessible and visible public body. Citizens are apparently not at all shy about making their opinions and complaints known to council members, though the effectiveness of LDCs in ameliorating the kinds of problems with which they are presented is sometimes less than satisfactory because of the aforementioned weaknesses.

The LPCs should therefore remain an appropriate and relatively effective organization through which the LD II projects can operate. The movement away from council-based projects toward individual loans for profit-making activities by individuals and smaller groups should help to assure that the DLPC projects selected are generated on the basis of popular needs and initiative.

## VI. Private Sector

A primary concern of the first generation of Decentralization activities has been support for the private sector. Through the activities initiated under the Local Development Fund, private sector contractors have undertaken a large portion of the infrastructure development activities completed through the project. The goal in LD II is to increase the level of private sector "direct" participation, and to encourage the "indirect" growth of the private sector which results from the improvement of infrastructure.

While it is a relatively straightforward issue whether or not a private sector contractor has or has not undertaken a specific piece of work, it is a more complex question of how to increase the level of such participation in LD II. Based upon the Basic Village Services Evaluation, slightly more than 80% of total contract funding through FY 1983 has gone to private sector contractors. However the particular

amount allocated to private contractors varies widely according to the sector. Road construction showed the lowest level of private sector contracts, followed by water delivery improvement projects, wastewater, and miscellaneous projects, the latter two of which showed private sector participation at a level above 90%.

The evaluation team noted that the farther down the government hierarchy the contracting process is pushed, the greater the degree of private sector participation occurs in the process. The implication of this observation is that more contracting at the village level would definitely result in greater participation by small scale private contractors. There will likely remain areas in which the capabilities of small private contractors are not equal to the scale of the project at hand. In such cases, the public sector companies with proven capabilities will likely continue to play an important role.

Stimulation of the private sector as a result of infrastructural improvements is a more difficult issue to address. The linkages between infrastructural improvements and increased commercial activities are intertwined with a broad range of changes which are occurring in rural areas. The 1984 RVS evaluation suggests that LD II activities will potentiate private sector activities but cannot necessarily ensure that the private sector will become more active in the future. Evidence from the RVS Project indicates that in areas where the project has been active for a longer period of time, there is a higher level of private sector activities. Thus, despite the fact that specific linkages are difficult to demonstrate in a "cause-effect" manner, it is sound to say that the LDF activities which feed "directly" and "indirectly" into private sector activities, will both contribute substantially to the growth in capabilities and range of activities in Egypt's private sector.

67'

ANNEX 3

BUDGET TABLES

TABLE I : LD II SUMMARY FINANCIAL PLAN  
 ESTIMATED CENTRAL SOE EXPENDITURES BY FISCAL YEAR

I N P U T S	( IN US\$ MILLON )							( IN LE MILLON )						
	1	2	3	4	5	8	TOTAL	1	2	3	4	5	8	TOTAL
	GOE FY : 85/86	86/87	87/88	88/89	89/90			85/86	86/87	87/88	88/89	89/90		
US\$ FY :	FY 86	FY 87	FY 88	FY 89	FY 90			FY 86	FY 87	FY 88	FY 89	FY 90		
A - BLOCK GRANT FUND														
- URBAN	0.27	0.93	0.14				1.33	0.2	0.8	0.1				1.10
- PROVINCIAL	1.08	2.40	1.32				4.80	0.9	2.0	1.1				3.99
SUB TOTAL	1.35	3.33	1.45				6.13	1.1	2.8	1.2				5.09
B - MAINTENANCE FUND	17.73	17.73	17.73				53.20	14.7	14.7	14.7	0.0	0.0		44.16
C - PVO GRANT FUND														
- URBAN														
- PROVINCIAL														
SUB TOTAL														
D - STAFF SUPPORT														
- TECHNICAL AMANA	0.22	0.05	0.23	0.21	0.15		0.84	0.18	0.04	0.19	0.17	0.12		0.71
- INCENTIVE FUND		1.20	2.41	1.20			4.82		1.00	2.00	1.00			4.00
SUB TOTAL	0.22	1.25	2.64	1.41	0.15		5.67	0.18	1.04	2.19	1.17	0.12		4.71
E- TECHNICAL ASSISTANCE							0.00							0.00
F - TRAINING	0.00	0.07	0.07	0.07	0.10		0.31	0.0	0.1	0.1	0.1	0.1		0.26
G - EVALUATION/RESEARCH							0.00							0.00
H - CONTINGENCY							0.00							0.00
I - T O T A L	19.30	22.38	21.90	1.48	0.25		65.31	16.02	18.58	18.18	1.23	0.21		54.21

18

TABLE II : LD II SUMMARY FINANCIAL PLAN  
ESTIMATED LOCAL GOE EXPENDITURES BY FISCAL YEAR

I N P U T S	( IN US\$ MILLON )							( IN LE MILLON )						
	1	2	3	4	5	8	TOTAL	1	2	3	4	5	8	TOTAL
	GOE FY : 85/86	86/87	87/88	88/89	89/90			65/86	86/87	87/88	88/89	89/90		
USG FY :	FY 86	FY 87	FY 88	FY 89	FY 90			FY 86	FY 87	FY 88	FY 89	FY 90		
A - BLOCK GRANT FUND														
- URBAN	0.27	0.93	0.14				1.33	0.2	0.8	0.1				1.10
- PROVINCIAL	1.08	2.40	1.32				4.80	0.9	2.0	1.1				3.99
SUB TOTAL	1.35	3.33	1.45				6.13	1.1	2.8	1.2				5.09
B - MAINTENANCE FUND														
C - PVO GRANT FUND														
- URBAN	0.09	0.10	0.04				0.23	0.1	0.1	0.0				0.19
- PROVINCIAL	0.10	0.29	0.16				0.55	0.1	0.2	0.1				0.46
SUB TOTAL	0.19	0.39	0.20				0.78	0.2	0.3	0.2				0.65
D - STAFF SUPPORT														
- TECHNICAL AMANA														
- INCENTIVE FUND														
SUB TOTAL														
E- TECHNICAL ASSISTANCE														
F - TRAINING														
G - EVALUATION/RESEARCH														
H - CONTINGENCY														
I - T O T A L	1.54	3.72	1.65	0.00	0.00		6.91	1.28	3.09	1.37	0.00	0.00		5.74

ANNEX 4

LD II PP

STATUTORY CHECKLIST

Annex (4)  
Statutory Checklist

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:  
B.1. applies to all projects funded with Development Assistance loans, and  
B.3. applies to projects funded from ESF.

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

A. GENERAL CRITERIA FOR PROJECT

1. FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A; Sec. 653(b).

- (a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

(a) Funds will not be obligated until the CN waiting period has expired.

(b) Yes.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

The project exceeds the 611(a) requirement. (See explanation in Annex 2-C Technical Analysis).

12

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

The Project Grant Agreement must be ratified by the People's Assembly. In the past, the People's Assembly has ratified all grant agreements in a timely manner.

4. FAA Sec. 611(b); FY 1985 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973, or the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)

n/a

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

n/a LD II is not a capital assistance project.

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

NO

7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to:  
(a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

This project will strengthen the Egyptian private sector by providing private engineering and construction opportunities and grants to Private Voluntary Organizations.

Major project components, including technical assistance services will be provided by U.S private enterprises.

The GOE is contributing the equivalent of \$ 72 million in local currency.

TK.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. FY 1985 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? n/a
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program taken into consideration the problem of the destruction of tropical forests? Yes the project complies with AID Environmental Procedures. The destruction of tropical forests is not applicable.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? n/a

75'

15. FY 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

NO

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

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

n/a

the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? n/a
  
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? n/a
  
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? n/a
  
- e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project for more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country n/a

"relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

n/a

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

n/a

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

n/a

18

2. Development Assistance Project  
Criteria (Loans Only)

- a. FAA Sec. 122(b). Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. n/a
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? n/a

3. Economic Support Fund Project  
Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? Yes
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? NO
- c. FAA Sec. 534. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? NO

- d. FAA Sec. 609. If  
commodities are to be  
granted so that sale  
proceeds will accrue to the  
recipient country, have  
Special Account  
(counterpart) arrangements  
been made? n/a

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes
  
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? Yes
  
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? NO

8

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) n/a
  
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which are direct aid recipients and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? NO
  
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? NO

Q2'

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

9. FY 1985 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

n/a

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

n/a

82

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)? n/a

4. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? n/a
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? n/a
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1985 Continuing Resolution Sec. 527. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice Yes

84

abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes
  
- c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes
  
- d. FAA Sec. 662. For CIA activities? Yes
  
- e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes
  
- f. FY 1985 Continuing Resolution, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes

85

- g. FY 1985 Continuing Resolution, Sec. 505.  
To pay U.N. assessments, arrearages or dues? . Yes
- h. FY 1985 Continuing Resolution, Sec. 506.  
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes
- i. FY 1985 Continuing Resolution, Sec. 510.  
To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes
- j. FY 1985 Continuing Resolution, Sec. 511.  
Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? The assistance will not be used to suppress human rights.\_
- k. FY 1985 Continuing Resolution, Sec. 516.  
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes

ANNEX 5

WAIVER

Non-Competitive Procurement of Consultant Services  
for beginning of LD II.

ANNEX 6

Letter of Request From GOE



MINISTRY OF Planning AND  
INTERNATIONAL COOPERATION

*Handwritten:* 1474  
2121

PP: Annex 6

000472

July 25, 1985

Mr. Frank B. Kimball  
Mission Director  
USAID / C

*Handwritten:* FTY  
DR  
D/D  
DRPE DR

ACTION TO	DRPE	DR
ACTION TAKEN	<input checked="" type="checkbox"/>	DATE 8/12
NAME		INITIALS <i>ac/...</i>

Dear Mr. Kimball:

This is to request USAID funding in the amount of \$156 million for Local Development II project (263-0182).

Of this amount we propose a \$61 million incremental obligation in FY 1985 to expand and build upon activities financed under the Decentralization Sector Support project (263-0161).

The Government of Egypt (GOE) contribution of inkind assistance to this project totals 29.8 million Egyptian Pounds.

This project will improve the quality of life of low income residents in rural and urban Egypt by providing access to basic services by improving and expanding the capacity of local units to plan, organize, finance, implement and maintain locally chosen basic service projects and to improve their capacity for local resource mobilization.

Sincerely,  
*Handwritten:* Ahmad Abdel Salam  
Ahmad Abdel Salam Zaki  
Administrator

*Handwritten:* Recd  
8/11/85  
R/E

ANNEX 7

NEAC Approval Cable

UNCLASSIFIED

STATE 248670/01 OF 02

✓C

ACTION: AID-6 INFO: DCM USIS ECON FAS /10

ZCZCRO074  
RR RUEHHC  
RR RUEHC #8670/01 2352010  
NR UUUUU 3ZH  
R 2220047 AUG 84  
FM SECSTATE WASHDC  
TO AMEMBASSY CAIRO 1420  
BT

LOC: 084 498  
22 AUG 84 2011  
CN: 04908  
CHRG: AID  
DIST: AID

UNCLAS SECTION 01 OF 02 STATE 248670

RIDAC

ACTION TO	DLPS	DPPS
ACTION TAKEN		DUE DATE 8/29
DATE		INITIALS

F.O. 12356: N/A

TAGS:  
SUBJECT: EGYPT - DECENTRALIZATION SECTOR SUPPORT (DSS)  
PHASE TWO - NEAC REPORTING CABLE

NAN

REF: DSS PHASE TWO ANALYSIS/PID

1. NEAC MET ON JULY 24 AND APPROVED USAID'S PROCEEDING TO THE DESIGN OF A PHASE TWO DSS PROJECT. SUBJECT TO QUALIFICATIONS OUTLINED BELOW.

2. DETERMINATIONS AND DECISIONS:

A. THE NEAC CONCURRED WITH THE PID KEY OBJECTIVES THAT:

--(1) THE PRIMARY GOAL IS TO MAKE DECENTRALIZATION ON ALL LEVELS OF GOVERNMENT A SELF-SUSTAINING PROCESS, EFFECTED THROUGH CAPABLE PLANNING, IMPLEMENTATION, AND MANAGEMENT OF ACTIVITIES; DIRECTED TOWARDS SENSIBLE INVESTMENTS OF RESOURCES; ASSISTED BY ADEQUATE COORDINATION BETWEEN GOVERNMENTAL UNITS; AND CONTINUALLY AND DIRECTLY SUPPORTED BY CENTRAL GOVERNMENT POLICIES AND PRACTICES.

--(2) THE IMPLANTATION OF ADEQUATE LOCAL REVENUE GENERATION AND RETENTION PRACTICES IS ESSENTIAL TO ACHIEVING THIS GOAL AND HENCE IS THE FUNDAMENTAL PURPOSE OF THE PROPOSED PROJECT.

--(3) THE PRIMARY ACTION CALLED FOR IS DIALOGUE WITH THE GOE RESULTING IN AGREED UPON OBJECTIVES AND STRATEGIES TOWARDS ACHIEVING THIS PURPOSE.

--(4) LOCAL INFRASTRUCTURE DEVELOPMENT REMAINS THE MAJOR IMPETUS AND MECHANISM TO EFFECT ABOVE CHANGE. THE EMPHASIS OVER THE LIFE OF PROJECT SHOULD MOVE, HOWEVER, FROM SUCH ACTIVITIES BEING FUNDED BY U.S. MONIES TO THEIR BEING FUNDED BY LOCALLY-GENERATED RESOURCES.

B. THE NEAC DETERMINED THAT:

--(1) THE PROJECT WILL HAVE TO FOLLOW HR 3 REGULATIONS.

UNCLASSIFIED

STATE 248670/01 OF 02

91

THIS MEANS THAT PROJECT DESIGN, WHILE SUSCEPTIBLE TO PERIODIC REVIEW AND ALTERATION, CANNOT BE DEFERRED PENDING FUTURE AGREEMENT. THE PROJECT MUST HAVE CLEAR OBJECTIVES, INPUTS AND OUTPUTS AND INSURE THAT FUNDS ARE SPENT IN REGARDS TO STANDARD PROJECT CONCERNS (E.G., BENEFICIARIES, COMPETITIVE PROCUREMENT, MONITORING AND EVALUATION) AND SPECIFIC PREVIOUSLY RAISED DECENTRALIZATION SECTOR CONCERNS (E.G., OPERATION AND MAINTENANCE, WASTEWATER DRAINAGE, TECHNICAL TRAINING, ETC.).

--(2) THE PROJECT DESIGN CAN INCORPORATE A FLEXIBLE APPROACH TO THE TIMING AND MIX OF SPECIFIC ACTIVITIES IN RESPONSE TO PROGRESS ON THE NEGOTIATION AND IMPLEMENTATION OF POLICY CHANGES. PRECISE CRITERIA FOR ASSESSING PROGRESS AND THE ACCOMPANYING CONSEQUENCES OF SUCCESS OR FAILURE MUST BE ESTABLISHED. THIS INCLUDES ESTABLISHING A PREDETERMINED CUTOFF POINT AT WHICH SUPPORT CEASES TO NONPERFORMING GOVERNORATES.

--(3) GIVEN THE NEED FOR FLEXIBILITY AND PERIODIC ASSESSMENT OF PROGRESS, AN ANNUAL FORMATIVE USAID/GOE IN DEPTH REVIEW SHOULD BE AN INTEGRAL PART OF THE IMPLEMENTATION SCHEDULE.

### 3. CRITICAL ISSUES FOR PP APPROVAL:

A. THE PP MUST DEMONSTRATE THAT THE GOE IS READY TO SUPPORT THE PROJECT PURPOSE OF ESTABLISHING SIGNIFICANT LOCAL GOVERNMENT CAPACITY FOR REVENUE GENERATION IN SUPPORT OF THE DECENTRALIZATION OF GOVERNMENT ACTIVITIES. (THIS CAN INCLUDE BUT PREFERABLY SHOULD NOT

EMPHASIZE DIRECT LOCAL TAXATION.) NECESSARY INDICATIONS ARE AN AGREED UPON PLAN OF ACTION AND PRECISE AND EQUITABLE CRITERIA FOR ALLOCATING RESOURCES AND ASSESSING NEED AND PERFORMANCE OF GOVERNORATES. WILLINGNESS TO REDUCE ASSISTANCE TO NONCOOPERATING OR UNJUSTIFIABLY POOR PERFORMING GOVERNORATES IS A NECESSITY. AVAILABILITY OF PERSONNEL FOR TRAINING IS ALSO CRITICAL.

B. A PRECISE ACTION PLAN FOR THE FIRST YEAR SHOULD BE ESTABLISHED, INCLUDING THE MEANS TO BE USED FOR THE EVALUATION OF PROGRESS AT THE END OF THE YEAR, AND ON A CONTINUING ANNUAL BASIS.

C. AN EXPLANATION OF HOW THE SPECIFIC SUMS AND BLENDS OF RESOURCES TO BE ALLOCATED TO EACH TASK HAVE BEEN DETERMINED. THE PID CONTAINED INSUFFICIENT FINANCIAL JUSTIFICATION ON WHICH TO APPROVE ANY SPECIFIC FIGURE AND HENCE THE NEAC COULD ONLY AGREE THAT THE TOTAL FUNDING FIGURES PROVIDED WERE WITHIN THE BOUNDS OF CONSIDERATION

BT

#3677

NNNN

al'

IF ADEQUATELY JUSTIFIED.

D. TO THE EXTENT NECESSARY, ALTERNATIVE DEVELOPMENTS SHOULD BE PROJECTED AND ALTERNATIVE REACTIVE STRATEGIES INCORPORATED IN THE DESIGN. THIS SHOULD BE DONE ESPECIALLY FOR SUCH CRUCIAL BUT SOMEWHAT UNCERTAIN PROJECT ELEMENTS AS THE ROLE OF THE SAQQARA INSTITUTE.

E. GIVEN THE DIFFERENT GOVERNMENTAL LEVELS ON WHICH THE PROJECT MUST WORK, IT WILL BE NECESSARY TO IDENTIFY SUBGOALS, PURPOSES, OUTPUTS AND INPUTS ON THESE LEVELS, AS WELL AS THOSE FOR THE OVERALL ACTIVITY. THIS MAY REQUIRE SEVERAL LOGFRAMES IN ADDITION TO THAT FOR THE PROJECT PER SE (E.G., ONE FOR DEVELOPMENT OF SAQQARA, ONE FOR THE CREATION OF INTRA- AND INTER-GOVERNORATE INFORMATION SYSTEMS, ETC.). IN THE CASE OF SUBACTIVITIES, CLEAR DEFINITION AND DIRECTION OF EFFORTS IS IMPORTANT.

F. ON ALL LEVELS THERE MUST BE ESTABLISHED MECHANISMS FOR THE MONITORING AND EVALUATION OF PROJECT ACTIVITIES WHETHER IN TOTO, BY SAMPLING, BY PROJECT PERSONNEL, BY THE GCE OR AS OTHERWISE JUSTIFIED. TO ACHIEVE THIS WILL REQUIRE BASELINE DATA AT THE BEGINNING AND THROUGHOUT THE LIFE OF THE PROJECT.

G. THERE MUST BE CRITERIA FOR TIMING OF DISBURSEMENTS. DISBURSEMENTS MUST BE RELATED TO AUTHORIZED PROJECT PURPOSES, AND MAY NOT LEGALLY BE MADE IN ADVANCE OF AN IDENTIFIED PROJECT NEED. INTEREST WHICH ACCRUES MUST BE

ACCOUNTED FOR, AND THE PROJECT DOCUMENTATION, INCLUDING THE AGREEMENT WITH THE GOP, MUST REFLECT THE ACCOUNTABILITY AS WELL AS REPROGRAMMING FACTORS.

H. MAJOR PREVIOUS PROBLEM ISSUES IDENTIFIED DURING THE ESS PHASE ONE PROJECT SHOULD BE ADEQUATELY RESOLVED IN THE SENSE OF HAVING INCORPORATED IN THIS PROJECT REMEDIAL PROCEDURES AND PRACTICES. THIS INCLUDES QUESTIONS OF THE OPERATION AND MAINTENANCE OF LOCAL INFRASTRUCTURE, ACCOUNTABILITY AND LIABILITY FOR PROJECT FUNDS, AND ADEQUATE TRAINING FOR AND INSTITUTIONALIZATION OF NEEDED SKILLS.

I. FEASIBILITY ANALYSIS OF MAJOR PROPOSED ACTIVITIES SHOULD BE INCORPORATED INTO THE PP OR REFERENCED IF ALREADY EXISTENT IN OTHER AVAILABLE DOCUMENTATION (E.G., CDSS, EMBASSY POLITICAL ANALYSES, PREVIOUS EVALUATIONS, ETC.). IN ADDITION TO THE ECONOMIC, SOCIAL, POLITICAL AND ADMINISTRATIVE CONCERNS, ATTENTION MUST BE GIVEN TO EXISTENT AND NEEDED LEGISLATION FOR IMPLEMENTATION AND POST PACD CONTINUATION OF PROJECT ACTIVITIES.

#### 4. PROJECT DEVELOPMENT:

A. THE SPECTRUM OF SKILLS CALLED FOR APPEARS FORMIDABLE, INCLUDING EXPERTISE IN REVENUE GENERATION, TAXATION, PUBLIC ADMINISTRATION, LEGISLATION, POLITICAL ANALYSIS,

INFORMATION SYSTEMS, LOCAL DEVELOPMENT, INFRASTRUCTURE CONSTRUCTION AND MAINTENANCE, FINANCIAL MANAGEMENT, SOCIAL IMPACT ASSESSMENT, AND TECHNICAL TRAINING. USAID MAY WANT TO CONSIDER STAGGERING OUTSIDE TA, PERHAPS BEGINNING WITH THOSE NEEDED FOR INITIAL NEGOTIATIONS, FOLLOWED BY A PP DOCUMENT PREPARATION TEAM..

B. THE PRECISE ROLE FOR SACCARA AND ANY OTHER ASSOCIATED INSTITUTIONS SHOULD BE SPELLED OUT IN PP.

C. THE NEAC, WHILE DECIDING THAT STRATEGIES FOR DEVELOPING PRIVATE SECTOR ACTIVITIES IN CONJUNCTION WITH GOVERNMENTAL DECENTRALIZATION NEED NOT BE A SPECIFIC FOCUS OF THIS PROJECT, BELIEVES PRIVATE SECTOR ACTIVITIES SHOULD HAVE HIGHEST PRIORITY. WE URGE USAID TO PROPOSE POSSIBILITIES TO SUPPORT PRIVATE ENTREPRENEURS IN THE CONTEXT OF A SEPARATE PROJECT, AS APPROPRIATE. (THE MISSION MAY WISH TO DO AN ANALYSIS OF THE PRIVATE SECTOR IMPACT OF DSS ONE TO DATE TO SUPPORT SUCH AN EFFORT AS PART OF THE DESIGN WORK ON THIS PROJECT.)

E. THE NEAC RECOGNIZES THE DIFFICULTY OF THE POLICY

DIALOGUE AND DESIGN TASKS PRESENTED, THE POTENTIAL REWARDS TO BE GAINED AND THE EVFR PRESENT POSSIBILITY OF HAVING TO REFINE OR REDEFINE GOALS. SHOULD EVENTS UNFOLD IN SUCH A WAY AS TO REQUIRE A MAJOR DIVERGENCE OF THE PROJECT DESIGN FROM THAT OUTLINED IN THE PID AND APPROVED BY THE NEAC, USAID SHOULD ADVISE AID/W PRIOR TO PROCEEDING WITH A PP SUBMISSION.

LAM

BT

#3670

NNNN

Annex 8

WORKING PAPERS AND BACKGROUND MATERIALS USED IN LD II DESIGN

1. Cave, A. (1985)  
Recurrent Cost Estimation and Financing: Operation and Maintenance of Infrastructure and Capital Equipment in the A.R.E. USAID, Cairo, Egypt.
2. Chemonics (1984a)  
BVS Project Planning and Appraisal Manual. ORDEV and USAID, Cairo, Egypt.
3. Chemonics (1984b)  
Local Revenue Survey. ORDEV and USAID, Cairo, Egypt.
4. Chemonics (1984c)  
Status Report on the Establishment of Village Accounting Units. ORDEV and USAID, Cairo, Egypt.
5. Chemonics (1984d)  
BVS Maintenance Recommendations. ORDEV and USAID, Cairo, Egypt.
6. Chemonics (1984e)  
Final Report of the Finance and Budget Section. ORDEV and USAID, Cairo, Egypt.
7. Chemonics (1985a)  
A Village Infrastructure Maintenance Program. ORDEV and USAID, Cairo, Egypt.
8. Chemonics (1985b)  
Maintenance Plan for Beni Suf Governorate. ORDEV and USAID, Cairo, Egypt.
9. Chemonics (1985c)  
Maintenance Plan for New Valley Governorate. ORDEV and USAID, Cairo, Egypt.
10. Chemonics (1985d)  
Maintenance Plan for Menufiya Governorate. ORDEV and USAID, Cairo, Egypt.
11. Chemonics (1985e)  
Maintenance Village Infrastructure Subprojects Implementation Follow-up. ORDEV and USAID, Cairo, Egypt.
12. Fox, William (1985a)  
Framework for Evaluating Egyptian Local Resource Mobilization. University of Tennessee, Knoxville, TN.

95

13. Fox, W. (1985b)  
Intergovernmental Fiscal Relations in Egypt and Mobilization of Local Resources. USAID, Cairo, Egypt.
14. Gellerson, M. and Cave, A. (1985)  
An Evaluation of User Fees as a Means of Local Resource Mobilization. USAID, Cairo, Egypt.
15. Haritani, J. (1984)  
A Study of the Problems of High Groundwater Levels in Nile Delta Villages. WASH, Washington, D.C.
16. International Science and Technology Institute and the Social Research Center (1985)  
Introduction and Summary, Neighborhood Urban Services Project Evaluation Phase II. American University in Cairo, Cairo, Egypt.
17. Kawata, K. (1984)  
Notes on BVS Project Water Sector and Related Problems. USAID, Cairo, Egypt.
18. Kerr, G.B. and others, (1983)  
"The Legal and Administrative Context of Decentralization." Appendix B in Kerr, G.B. and others (1983). The Decentralization of Local Government in Egypt: A special assessment for USAID. USAID, Cairo, Egypt.
19. Match Institution (1985)  
Small Scale Enterprise Credit Delivery Systems for Rural Egypt. AMANA, Ministry of Local Government and USAID, Cairo, Egypt.
20. NASPAA (1985)  
Center for Local Development, Sakkara, Egypt. ORDEV and USAID, Cairo, Egypt.
21. PADCO (1985)  
Decentralization Sector Support II and the National Urban Policy Study: Relationships and Complementarities. Washington, D.C.
22. Transcentury (1985)  
DSF Analysis and LD II/III Recommendations: Equipment Procurement; Operations and Maintenance. Cairo, Egypt.
23. Younis, A.F. (1980)  
"The Local Government System in Egypt, 1960-1980," in Monitoring and Evaluating Decentralization: The BVS Program in Egypt. Development Alterations, Inc., Washington, D.C.

0/6

24. GOE, Ministry of Social Affairs (1985)  
The Role of Voluntary Associations in Local Development. Cairo, Egypt.
25. Pearson, R. (1985)  
PVO Program for LD II. USAID, Cairo, Egypt.
26. Chemonics (1985f)  
Review of Village Project Planning. ORDEV and USAID, Cairo, Egypt.
27. USAID (1984)  
Interest Earned on Grant Funds by Foreign Government: Decision of the Comptroller General. USAID, Washington, D.C.
28. Chemonics (1984f)  
End of Assignment Report of the Expatriate Local Government Planning and Programming Advisor. ORDEV and USAID, Cairo, Egypt.
29. Chemonics (1985g)  
A Review of Uncompleted BYS Subprojects: A study of three governorates. ORDEV and USAID, Cairo, Egypt.

Annex (9)  
Bibliography

- Bucht, B. and El Badry, M.A. (1984)  
Reflections on recent levels and trends of fertility and mortality in Egypt, Working paper No. 9, Cairo Demographic Center, Cairo, Egypt.
- Cave, A. (1985)  
Recurrent Cost Estimation and Financing: Operation and Maintenance of Infrastructure and Capital Equipment in the A.R.E. USAID, Cairo, Egypt.
- Center for Egyptian Civilization Studies, (1981)  
The Role of Voluntary Associations in Egypt. Cairo, Egypt.
- Chemonics (1984a)  
BVS Project Planning and Appraisal Manual. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1984b)  
Local Revenue Survey. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1984c)  
Status Report on the Establishment of Village Accounting Units. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1984d)  
BVS Maintenance Recommendations. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1984e)  
Final Report of the Finance and Budget Section. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1984f)  
End of Assignment Report of Expatriate Local Government Planning and Programming Advisor. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1985a)  
A Village Infrastructure Maintenance Program. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1985b)  
Maintenance Plan for Beni Suef Governorate. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1985c)  
Maintenance Plan for New Valley Governorate. ORDEV and USAID, Cairo, Egypt.

- Chemonics (1985d)  
Maintenance Plan for Menufiya Governorate. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1985e)  
Maintenance Village Infrastructure Subprojects Implementation Follow-up. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1985f)  
Review of Village Project Planning. ORDEV and USAID, Cairo, Egypt.
- Chemonics (1985g)  
A Review of Uncompleted BVS Subprojects: A study of three governorates. ORDEV and USAID, Cairo, Egypt.
- Chetwynd, E, and other, (1984)  
Basic Village Services: Fourth mid-project evaluation. USAID, Cairo, Egypt.
- Davis, S. and others, (1983)  
Small Enterprises in Egypt: a study of two governorates, Michigan State University and USAID, Cairo, Egypt
- Delta Business Service International, (1981):  
Analysis of Registered Private Voluntary Organizations in Cairo and Alexandria. USAID, Cairo, Egypt.
- De Toquevill, A. (1840)  
Democracy in America, Paris, France.
- Development Alternatives Inc. (DAI), (1980)  
Monitoring and Evaluating Decentralization: The Basic Services Program in Egypt, Washington, D.C.
- Elliot, Veronica, Sara Loza, and Afef el Bassam, (1983)  
Women and Decentralization, A Case Study in Egypt. AID/W.
- Fox, William, (1985a)  
Framework for Evaluating Egyptian Local Resource Mobilization. University of Tennessee, Knoxville, TN.
- Fox, W. (1985b)  
International Fiscal Relations in Egypt and Mobilization of Local Resources. USAID, Cairo, Egypt.
- Gardner, George R., and others, (1983)  
Mid-term Evaluation of the Decentralization Support Fund, USAID, Cairo, Egypt.
- Gellerson, M. and Cave, A. (1985)  
An Evaluation of User Fees as a Means of Local Resource Mobilization. USAID, Cairo, Egypt.
- GOE (1980)  
Law No. 51 concerning Local Government, Cairo, Egypt.

- GOE, (1983)  
Decentralization Sector Support Steering Committee, Prime Minister's Decree Number 249. Cairo, Egypt.
- GOE, (1985)  
The Role of Voluntary Associations in Local Development. Ministry of Social Affairs, Cairo, Egypt.
- Haritani, J. (1984)  
A Study of the Problems of High Groundwater in Nile Delta Villages. WASH, Washington, D.C.
- International Science and Technology Institute and the Social Research Center, (1985)  
Introduction and Summary, Neighborhood Urban Services Project Evaluation Phase II, American University in Cairo, Cairo, Egypt.
- Japan International Cooperation Agency (1984)  
Feasibility Study on Sharkiya Water Supply System, Cairo Egypt.
- Kawata, K. (1984)  
Notes on BVS Project Water Sector and Related Problems. USAID, Cairo, Egypt.
- Kerr, G.B., and others (1983)  
The Decentralization of Local Government in Egypt: A Special Assessment for USAID, USAID, Cairo, Egypt.
- Loza, S. et. al., (1981)  
Social Soundness Analysis of Neighborhood Urban Services Program - Status Report  
Social Soundness Analysis - Neighborhood Urban Services, Final Report USAID, Cairo, Egypt.
- MATCH Institution (1985)  
Small Scale Enterprise Credit Delivery System for Rural Egypt, Amara, Ministry of Local Government and USAID, Cairo, Egypt.
- NASPAA (1985)  
Center for Local Development, Sakkara, Egypt. ORDEV and USAID, Cairo, Egypt.
- PADCO (1985)  
Decentralization Sector Support II and the National Urban Policy Study: Relationships and Complementarities, Washington, D.C.

100

- Pearson, R. (1985)  
PVO Program for LD II. USAID, Cairo, Egypt.
- Prosterman, R.L. and Readinger, J.M. (1984)  
Egyptian Development and USAID: A 5-Year Report. University of Washington, Seattle, WA.
- Transcentury (1985)  
DSF Analysis and LD II/III Recommendations: Equipment Procurement: Operations and Maintenance, Cairo, Egypt.
- UNDP (1984)  
Regional Development Planning in Southern Upper Egypt (Region 8), Ministry of Planning and UNDP, Cairo, Egypt.
- USAID (1979)  
Project Paper: Development Decentralization I. Cairo, Egypt.
- USAID (1979)  
Basic Village Services: Project Paper (263-0103). Cairo, Egypt.
- USAID (1980)  
Decentralization Support Fund: Project Paper (263-0143). Cairo, Egypt.
- USAID (1981)  
Neighborhood Urban Services: Project Paper (263-0153). Cairo, Egypt.
- USAID (1982a)  
Audit Report on An Assessment of AID's Development Decentralization-One Project in Egypt. Cairo, Egypt.
- USAID (1982b)  
Program agreement between the Arab Republic of Egypt and the United States of America for Decentralization Sector Support, A.I.D. Program Number 263-K-605. Cairo, Egypt.
- (Amendments: June 30, 1983,; May 14, 1984; August 1984)
- USAID (1984a)  
Decentralization Sector Review/Analysis, Sector II PID. Cairo, Egypt.
- USAID (1984b)  
Basic Village Services: Amendment to Program Assistance Approval Document. Cairo, Egypt.

USAID (1984c)

Decentralization Support Fund, Audit Report No. 6-263-85-1.

USAID (1984d)

Interest Earned on Grant Funds by Foreign Government: Decision of the Comptroller General. Washington, D.C.

USAID (1985)

Fourth Amendment to the Program Grant Agreement for Decentralization Sector Support. Cairo, Egypt.

Wilbur Smith and Associates (1984a)

Neighborhood Urban Services Mid-Project Report, Cairo, Egypt.

Wilbur Smith and Associates (1984b)

A Summary Profile of Private Voluntary Organizations and their Services in Cairo, Alexandria, Urban Giza, and Shoubra El-Kheima. Cairo, Egypt.

World Bank (1980)

Report and Recommendation of the President of the International Bank for Reconstruction and Development to the Executive Directors on a Proposed Loan to the Egyptian General Petroleum Company with the Guarantee of the Arab Republic of Egypt for a Western Desert Exploration Project. Report # p-2871-MGT, Washington, D.C.

World Bank (1984)

Report and Recommendation of the President of the International Bank for Reconstruction and Development to the Executive directors on a proposed Loan in an Amount Equivalent to US \$ 25 Million to the Arab Republic of Egypt for an Export Industries Development Project. Report # P-3854-MGT, Washington, D.C.

Younis, A.F. (1980)

"The Local Government System in Egypt, 1960 - 1980," in Monitoring and Evaluating Decentralization: The BVS Program in Egypt, Development Alternations, Inc., Washington, D.C.

ANNEX 10

DSS I: O&M REQUIREMENTS BY GOVERNORATE

TABLE 4 : COMPARISON OF DSS I CAPITAL INVESTMENT AND  
O & M REQUIREMENTS WITH GOE FY 84/85  
BAB II MAINTENANCE BUDGET

(ALL COST FIGURES IN LE MILLION)					
UNIT TYPE	UNIT NO.	AVE. UNIT COST	TOTAL COST	ANNUAL O&M COST	
A. DSF EQUIPMENT (ANNUAL O&M = 10% OF UNIT COST)					
EARTH MOVING	576	0.07	40.09	4.01	
TRUCK	985	0.05	48.73	4.87	
STATIONARY	157	0.10	15.47	1.55	
SUBTOTAL	1718	0.06	104.29	10.43	
B. NUS URBAN PROJECTS (ANNUAL O&M = 5% OF UNIT COST)					
MAINTENANCE	8	0.07	0.56	0.03	
ROADS	150	0.07	10.52	0.53	
OTHERS	731	0.07	51.26	2.56	
SUBTOTAL	889	0.07	62.34	3.12	
C. BVS PROVINCIAL PROJECTS (ANNUAL O&M=5% OF UNIT COST)					
WATER	1933	0.05	102.84	5.14	
ROADS	1286	0.05	64.15	3.21	
OTHERS	1375	0.03	40.01	2.00	
SUBTOTAL	4594	0.05	207.00	10.35	
T O T A L			373.63	23.90	
GOE FY 84/85 O&M BUDGET (*)				8.71	
PERCENT OF ACTUAL TO REQUIRED O&M BUDGET				36%	

\* THESE FIGURES REFLECT CURRENT BAB II EXPENDITURE ALLOCATIONS IN THE HOUSING AND TRANSPORT SECTORS AS A WHOLE, EXCLUSIVE OF TRANSFER PAYMENTS.

LD12  
 10-00000 PART 1  
 DATE: 8/22/85  
 DELTA 304.

COMPARISON OF 1985 CAPITAL INVESTMENT AND O & M REQUIREMENTS  
 WITH 84/85 DELTA 304 MAINTENANCE BUDGET

GOVERNORATES	EQUIPMENT (LE IN MLS)				VEHICLE (LE IN MLS)				PROVINCIAL (LE IN MLS)				TOTAL (LE IN MLS)			
	UNIT TYPE	NO	COST	TOTAL	UNIT TYPE	NO	COST	TOTAL	UNIT TYPE	NO	COST	TOTAL	ANNUAL COST	84/85 BUDGET	%	
		(1)	(2)	(3)		(4)	(5)	(6)		(7)	(8)	(9)	(10)	(11)	(12)	
3	BEHEIRA	EARTH MOVING	41	10.07	2.81	0.28	MAINTENANCE			10.00	WATER	122	10.00	4.03	-0.29	
		TRUCK	60	10.05	3.12	0.31	ROADS			10.00	ROADS	150	10.04	5.24	0.29	
		STATIONARY	0	10.00	0.00	0.00	OTHERS			10.00	OTHERS	36	10.02	0.77	0.04	
		SUBTOTAL	101	10.12	5.93	0.59	SUBTOTAL	0	10.00	10.00	SUBTOTAL	318	10.09	10.04	0.53	
5	DAMIETTA	EARTH MOVING	42	10.06	2.52	0.25	MAINTENANCE			10.00	WATER	72	10.03	2.40	0.12	
		TRUCK	50	10.05	2.47	0.25	ROADS			10.00	ROADS	67	10.05	3.28	0.17	
		STATIONARY	5	10.06	0.29	0.07	OTHERS			10.00	OTHERS	26	10.15	4.57	0.23	
		SUBTOTAL	97	10.16	5.27	0.53	SUBTOTAL	0	10.00	10.00	SUBTOTAL	171	10.21	10.25	0.52	
6	DAHA-LIA	EARTH MOVING	46	10.05	2.03	0.23	MAINTENANCE			10.00	WATER	102	10.04	3.21	0.19	
		TRUCK	52	10.06	3.19	0.22	ROADS			10.00	ROADS	15	10.02	0.27	0.01	
		STATIONARY	11	10.16	0.65	0.07	OTHERS			10.00	OTHERS	150	10.04	6.55	0.33	
		SUBTOTAL	109	10.17	6.16	0.62	SUBTOTAL	0	10.00	10.00	SUBTOTAL	267	10.10	10.66	0.53	
8	SHARSH	EARTH MOVING	21	10.07	1.54	0.15	MAINTENANCE			10.00	WATER	126	10.06	9.62	0.48	
		TRUCK	59	10.06	3.31	0.23	ROADS			10.00	ROADS	18	10.03	0.51	0.03	
		STATIONARY	11	10.09	0.96	0.10	OTHERS			10.00	OTHERS	67	10.01	0.75	0.04	
		SUBTOTAL	91	10.22	5.81	0.48	SUBTOTAL	0	10.00	10.00	SUBTOTAL	207	10.10	10.88	0.54	
11	EL SHEIKH	EARTH MOVING	16	10.07	1.44	0.14	MAINTENANCE			10.00	WATER	96	10.05	5.11	0.26	
		TRUCK	62	10.05	3.26	0.24	ROADS			10.00	ROADS	132	10.03	4.25	0.22	
		STATIONARY	9	10.00	0.40	0.04	OTHERS			10.00	OTHERS	15	10.08	1.19	0.06	
		SUBTOTAL	87	10.14	5.27	0.52	SUBTOTAL	0	10.00	10.00	SUBTOTAL	243	10.17	10.45	0.53	
13	MINFIYA	EARTH MOVING	39	10.06	2.57	0.25	MAINTENANCE			10.00	WATER	192	10.04	7.94	0.40	
		TRUCK	78	10.04	3.26	0.24	ROADS			10.00	ROADS	57	10.02	1.20	0.06	
		STATIONARY	0	10.00	0.00	0.00	OTHERS			10.00	OTHERS	152	10.01	1.53	0.08	
		SUBTOTAL	117	10.11	5.83	0.49	SUBTOTAL	0	10.00	10.00	SUBTOTAL	402	10.07	10.67	0.53	
17	BALUSIYA	EARTH MOVING	22	10.06	2.04	0.20	MAINTENANCE	1	10.05	0.05	1.00	WATER	93	10.08	7.86	0.29
		TRUCK	71	10.05	3.72	0.37	ROADS	15	10.05	0.78	0.04	ROADS	18	10.06	1.66	0.05
		STATIONARY	3	10.30	0.89	0.09	OTHERS	78	10.05	4.07	0.20	OTHERS	15	10.11	1.68	0.08
		SUBTOTAL	106	10.41	12.42	1.24	SUBTOTAL	94	10.16	4.90	0.25	SUBTOTAL	126	10.26	10.60	0.53
21	SHARSHIYA	EARTH MOVING	24	10.11	2.52	0.25	MAINTENANCE			10.00	WATER	164	10.04	7.08	0.35	
		TRUCK	43	10.05	2.16	0.22	ROADS			10.00	ROADS	108	10.01	0.91	0.05	
		STATIONARY	20	10.17	1.26	0.14	OTHERS			10.00	OTHERS	252	10.01	3.06	0.15	
		SUBTOTAL	87	10.22	12.42	1.24	SUBTOTAL	0	10.00	10.00	SUBTOTAL	524	10.06	11.05	0.55	
	TOTAL DELTA	EARTH MOVING	241	10.17	17.71	1.77	MAINTENANCE	1	10.05	10.05	10.00	WATER	1029	10.05	47.56	2.38
		TRUCK	475	10.05	24.66	2.47	ROADS	15	10.05	0.78	0.04	ROADS	261	10.02	17.62	0.88
		STATIONARY	59	10.08	4.82	0.46	OTHERS	78	10.05	4.07	0.20	OTHERS	720	10.03	20.11	1.01
		SUBTOTAL	795	10.20	46.85	4.70	SUBTOTAL	94	10.16	4.90	0.25	SUBTOTAL	2210	10.11	85.24	4.24

-10/2-

1-SEE FIGURES REFLECT CURRENT 84/85 EXPENDITURE ALLOCATIONS IN THE HOUSING AND TRANSPORT SECTIONS AS A WHOLE, EXCLUSIVE OF TRANSFER PAYMENTS.  
 2-SEE GOVERNORATES HAVE NO 84/85 EXPENDITURE ALLOCATIONS FOR THE TRANSPORT SECTION.

LDII:  
 LOMSOE2/PART 2  
 DATE: 5/23/85  
 URBAN GOV.

COMPARISON OF DES I CAPITAL INVESTMENT AND O & M REQUIREMENTS  
 WITH 84/85 GOE BAG II MAINTENANCE BUDGET

GOVERNORATES	EQUIPMENT (LE IN MLE)				URBAN (LE IN MLE)				PROVINCIAL (LE IN MLE)				TOTAL (LE IN MLE \$)					
	UNIT TYPE	UNIT NO	UNIT COST	TOTAL COST	UNIT TYPE	UNIT NO	UNIT COST	TOTAL COST	UNIT TYPE	UNIT NO	UNIT COST	TOTAL COST	TOTAL INVESTMENT	ANNUAL O&M	GOE O&M 84/85	GOE O&M BUDGET/DES I O&M RED P/A (2)		
		(1)	(2)	(3)		(1)	(2)	(3)	(4)		(1)	(2)	(5)	(6)	(7)	(8)	(9)	(10)
23 : CAIRO	EARTH MOVING		0.00	0.00	MAINTENANCE	4	0.07	0.29	0.01	WATER		0.00	0.00					
	TRUCK		0.00	0.00	ROADS	83	0.07	5.93	0.30	ROADS		0.00	0.00					
	STATIONARY		0.00	0.00	OTHERS	373	0.07	26.65	1.33	OTHERS		0.00	0.00					
	SUBTOTAL	0	0.00	0.00	SUBTOTAL	460	0.21	32.86	1.64	SUBTOTAL	0	0.00	0.00	32.86	1.64	1.40		85%
24 : ALEXANDRIA	EARTH MOVING		0.00	0.00	MAINTENANCE	2	0.07	0.15	0.01	WATER		0.00	0.00					
	TRUCK		0.00	0.00	ROADS	35	0.07	2.53	0.13	ROADS		0.00	0.00					
	STATIONARY		0.00	0.00	OTHERS	166	0.07	13.70	0.63	OTHERS		0.00	0.00					
	SUBTOTAL	0	0.00	0.00	SUBTOTAL	223	0.22	16.42	0.82	SUBTOTAL	0	0.00	0.00	16.42	0.82	1.23		149%
25 : PORT SAID	EARTH MOVING		0.00	0.00	MAINTENANCE			0.00		WATER		0.00	0.00					
	TRUCK		0.00	0.00	ROADS			0.00		ROADS		0.00	0.00					
	STATIONARY		0.00	0.00	OTHERS			0.00		OTHERS		0.00	0.00					
	SUBTOTAL	0	0.00	0.00	SUBTOTAL	0	0.00	0.00	0.00	SUBTOTAL	0	0.00	0.00	0.00	0.00	0.02		
25 : EL EZ	EARTH MOVING		0.00	0.00	MAINTENANCE			0.00		WATER		0.00	0.00					
	TRUCK		0.00	0.00	ROADS			0.00		ROADS		0.00	0.00					
	STATIONARY		0.00	0.00	OTHERS			0.00		OTHERS		0.00	0.00					
	SUBTOTAL	0	0.00	0.00	SUBTOTAL	0	0.00	0.00	0.00	SUBTOTAL	0	0.00	0.00	0.00	0.00	0.05		
TOTAL URBAN	EARTH MOVING	0	0	0	MAINTENANCE	6	0.14	0.43	0.02	WATER	0	0	0	0				
	TRUCK	0	0	0	ROADS	118	0.14	8.56	0.42	ROADS	0	0	0	0				
	STATIONARY	0	0	0	OTHERS	529	0.14	49.34	2.01	OTHERS	0	0	0	0				
	SUBTOTAL	0	0	0	SUBTOTAL	633	0.43	49.28	2.45	SUBTOTAL	0	0	0	49.28	2.46	2.76		112%

\* THESE FIGURES REFLECT CURRENT BAG II EXPENDITURE ALLOCATIONS IN THE HOUSING AND TRANSPORT SECTORS AS A WHOLE, EXCLUSIVE OF TRANSFER PAYMENTS.

\* THESE GOVERNORATES HAVE NO BAG II EXPENDITURE ALLOCATION FOR THE TRANSPORT SECTOR.

106

LC11:  
LC/50281/PART 3  
DATE: 6/23/85  
UPPER EGYPT GOV.

COMPARISON OF 84/85 CAPITAL INVESTMENT AND O & M REQUIREMENTS  
WITH 84/85 SEE PAR 11 MAINTENANCE BUDGET

GOVERNORATES	EQUIPMENT (LE IN MLS)				URBAN (LE IN MLS)				PROVINCIAL (LE IN MLS)				TOTAL (LE IN MLS) (5)				
	UNIT TYPE	UNIT NO	UNIT COST	UNIT COST %	UNIT TYPE	UNIT NO	UNIT COST	UNIT COST %	UNIT TYPE	UNIT NO	UNIT COST	UNIT COST %	TOTAL INVESTMENT	ANNUAL COST	SEE O&M	SEE O&M BUDGET/DSS I O&M	
		(1)	(2)	(3)			(3)	(4)			(5)	(6)	(7)	(8)	(9)	(10)	
:SHWAN	:EARTH MOVING	17	0.07	1.51	0.15	:MAINTENANCE			:WATER	42	0.14	5.70	0.29				
	:TRUCK	12	0.03	0.39	0.03	:ROADS			:ROADS	21	0.15	3.09	0.15				
	:STATIONARY	14	0.01	0.10	0.01	:OTHERS			:OTHERS	22	0.07	1.49	0.07				
	:SUBTOTAL	43	0.12	1.91	0.19	:SUBTOTAL	0	0.00	0.00	:SUBTOTAL	85	0.35	10.28	0.51	12.19	0.70	0.35
:ASSYOUT	:EARTH MOVING	31	0.05	1.45	0.15	:MAINTENANCE			:WATER	47	0.09	3.51	0.19				
	:TRUCK	21	0.01	0.11	0.01	:ROADS			:ROADS	27	0.14	3.91	0.19				
	:STATIONARY	10	0.02	0.18	0.02	:OTHERS			:OTHERS	5	0.15	2.73	0.14				
	:SUBTOTAL	62	0.07	1.74	0.17	:SUBTOTAL	0	0.00	0.00	:SUBTOTAL	79	0.37	10.35	0.52	12.09	0.69	0.15
:BENI SUEF	:EARTH MOVING	25	0.01	0.18	0.02	:MAINTENANCE			:WATER	78	0.05	4.50	0.23				
	:TRUCK	34	0.01	0.17	0.02	:ROADS			:ROADS	72	0.03	4.15	0.23				
	:STATIONARY	6	0.03	0.15	0.02	:OTHERS			:OTHERS	61	0.02	1.31	0.07				
	:SUBTOTAL	65	0.04	0.50	0.05	:SUBTOTAL	0	0.00	0.00	:SUBTOTAL	211	0.14	10.35	0.52	10.85	0.57	0.08
:FAYOUM	:EARTH MOVING	45	0.05	2.44	0.24	:MAINTENANCE			:WATER	24	0.06	1.30	0.08				
	:TRUCK	49	0.05	2.47	0.25	:ROADS			:ROADS	69	0.05	3.57	0.18				
	:STATIONARY	4	0.00	0.34	0.03	:OTHERS			:OTHERS	123	0.04	4.51	0.24				
	:SUBTOTAL	98	0.10	5.25	0.53	:SUBTOTAL	0	0.00	0.00	:SUBTOTAL	216	0.15	9.38	0.49	15.13	1.02	0.47
:GIZA	:EARTH MOVING	45	0.05	2.43	0.25	:MAINTENANCE	1	0.07	0.07	:WATER	114	0.05	5.59	0.30			
	:TRUCK	124	0.04	5.11	0.51	:ROADS	17	0.07	1.24	:ROADS	72	0.04	2.45	0.13			
	:STATIONARY	12	0.04	0.44	0.04	:OTHERS	94	0.07	6.86	:OTHERS	108	0.02	1.71	0.09			
	:SUBTOTAL	181	0.13	8.04	0.80	:SUBTOTAL	112	0.22	8.17	:SUBTOTAL	294	0.11	10.25	0.52	25.55	1.73	0.15
:MINYA	:EARTH MOVING	32	0.05	1.45	0.15	:MAINTENANCE			:WATER	141	0.03	3.91	0.20				
	:TRUCK	61	0.05	3.24	0.32	:ROADS			:ROADS	153	0.04	5.70	0.29				
	:STATIONARY	5	0.12	0.60	0.06	:OTHERS			:OTHERS	15	0.07	1.99	0.05				
	:SUBTOTAL	98	0.22	5.30	0.53	:SUBTOTAL	0	0.00	0.00	:SUBTOTAL	309	0.14	10.60	0.53	15.99	1.04	0.12
:GENA	:EARTH MOVING	17	0.09	1.44	0.14	:MAINTENANCE			:WATER	144	0.05	6.75	0.34				
	:TRUCK	63	0.06	3.48	0.35	:ROADS			:ROADS	45	0.07	3.20	0.17				
	:STATIONARY	2	0.11	0.22	0.02	:OTHERS			:OTHERS	63	0.09	0.20	0.02				
	:SUBTOTAL	82	0.25	5.14	0.51	:SUBTOTAL	0	0.00	0.00	:SUBTOTAL	252	0.12	10.25	0.52	22.77	1.76	0.41
:SOKHNAS	:EARTH MOVING	27	0.06	1.56	0.16	:MAINTENANCE			:WATER	153	0.04	6.78	0.34				
	:TRUCK	41	0.07	2.89	0.29	:ROADS			:ROADS	123	0.03	3.43	0.18				
	:STATIONARY	8	0.11	0.64	0.06	:OTHERS			:OTHERS	23	0.00	0.00	0.00				
	:SUBTOTAL	76	0.23	5.09	0.51	:SUBTOTAL	0	0.00	0.00	:SUBTOTAL	299	0.07	10.28	0.52	22.50	1.76	0.23
TOTAL UPPER EGYPT	:EARTH MOVING	240	0.05	12.52	1.25	:MAINTENANCE	1	0.07	0.07	:WATER	740	0.05	38.93	1.95			
	:TRUCK	428	0.24	17.77	1.78	:ROADS	17	0.07	1.24	:ROADS	582	0.05	30.25	1.51			
	:STATIONARY	61	0.05	2.57	0.27	:OTHERS	94	0.07	6.26	:OTHERS	440	0.03	13.45	0.67			
	:SUBTOTAL	769	0.14	47.86	4.76	:SUBTOTAL	112	0.21	8.17	:SUBTOTAL	1765	0.13	82.61	4.13	155.37	9.30	1.54

\* 1-SEE FIGURES REFLECT CURRENT 84/85 EXPENDITURE ALLOCATIONS IN THE HOUSING AND TRANSPORT SECTORS AS A WHOLE, EXCLUSIVE OF TRANSFER PAYMENTS.

LS10:  
 LCM0000/PART 4  
 DATE: 6/23/85  
 DESERT SOV.

COMPARISON OF BEE I CAPITAL INVESTMENT AND O & M REQUIREMENTS  
 WITH 84/85 BEE PAB 11 MAINTENANCE BUDGET

GOVERNORATES	EQUIPMENT (ILE IN MLS)				URBAN (ILE IN MLS)				PROVINCIAL (ILE IN MLS)				TOTAL (ILE IN MLS) (5)			
	UNIT TYPE	UNIT NO	UNIT COST	UNIT COST	UNIT TYPE	UNIT NO	UNIT COST	UNIT COST	UNIT TYPE	UNIT NO	UNIT COST	UNIT COST	TOTAL	ANNUAL COST	BEE O&M	SDE O&M
			(1)	(2)			(3)	(4)			(5)	(6)	(7)	(8)	(9)	(10)
ISMAILIA	EARTH MOVING		0.00	0.00	MAINTENANCE			0.00	WATER	9	0.10	0.90	0.05			
	TRUCK		0.00	0.00	ROADS			0.00	ROADS	10	0.36	3.60	0.18			
	STATIONARY		0.00	0.00	OTHERS			0.00	OTHERS	2	0.00	0.00	0.00			
	SUBTOTAL	0	0.00	0.00	SUBTOTAL	0	0.00	0.00	SUBTOTAL	21	0.46	4.50	0.23	4.50	0.23	0.05
MATRUH	EARTH MOVING	5	0.15	0.73	MAINTENANCE			0.00	WATER	17	0.19	3.24	0.16			
	TRUCK	13	0.04	0.48	ROADS			0.00	ROADS	12	0.13	1.50	0.09			
	STATIONARY	7	0.50	3.48	OTHERS			0.00	OTHERS	2	0.00	0.00	0.00			
	SUBTOTAL	25	0.63	4.69	SUBTOTAL	0	0.00	0.00	SUBTOTAL	31	0.32	4.74	0.24	9.44	0.71	0.62
EN SINAÏ	EARTH MOVING	9	0.25	2.29	MAINTENANCE			0.00	WATER	76	0.05	3.80	0.18			
	TRUCK	16	0.07	1.18	ROADS			0.00	ROADS	93	0.05	4.65	0.25			
	STATIONARY	11	0.00	1.56	OTHERS			0.00	OTHERS	67	0.03	1.89	0.09			
	SUBTOTAL	36	0.33	5.02	SUBTOTAL	0	0.00	0.00	SUBTOTAL	236	0.13	10.35	0.52	15.37	1.02	0.65
NEW VALLEY	EARTH MOVING	19	0.12	2.29	MAINTENANCE			0.00	WATER	30	0.05	1.56	0.09			
	TRUCK	33	0.06	1.92	ROADS			0.00	ROADS	27	0.05	1.37	0.07			
	STATIONARY	7	0.09	0.60	OTHERS			0.00	OTHERS	102	0.02	1.77	0.09			
	SUBTOTAL	59	0.26	4.80	SUBTOTAL	0	0.00	0.00	SUBTOTAL	159	0.12	4.70	0.23	9.50	0.71	0.11
RED SEA	EARTH MOVING	20	0.13	2.64	MAINTENANCE			0.00	WATER	15	0.23	3.44	0.17			
	TRUCK	2	0.12	0.24	ROADS			0.00	ROADS	1	0.00	0.00	0.00			
	STATIONARY	1	1.20	1.80	OTHERS			0.00	OTHERS	21	0.05	1.07	0.05			
	SUBTOTAL	23	0.05	5.40	SUBTOTAL	0	0.00	0.00	SUBTOTAL	37	0.28	4.50	0.23	9.90	0.77	0.60
EN SINAÏ	EARTH MOVING	22	0.09	1.82	MAINTENANCE			0.00	WATER	15	0.24	3.60	0.18			
	TRUCK	38	0.06	2.46	ROADS			0.00	ROADS	1	4.95	4.95	0.25			
	STATIONARY	11	0.05	0.60	OTHERS			0.00	OTHERS	21	0.09	1.89	0.09			
	SUBTOTAL	71	0.21	4.88	SUBTOTAL	0	0.00	0.00	SUBTOTAL	37	5.28	10.35	0.52	22.77	1.76	0.65
TOTAL DESERT	EARTH MOVING	75	0.13	9.95	MAINTENANCE			0.00	WATER	161	0.10	16.34	0.82			
	TRUCK	102	0.06	6.28	ROADS			0.00	ROADS	143	0.11	16.37	0.82			
	STATIONARY	37	0.22	9.04	OTHERS			0.00	OTHERS	215	0.03	6.44	0.32			
	SUBTOTAL	214	0.41	25.27	SUBTOTAL	0	0.00	0.00	SUBTOTAL	520	0.24	39.14	1.96	63.31	5.58	1.69

• THESE FIGURES REFLECT CURRENT PAB 11 EXPENDITURE ALLOCATIONS IN THE HOUSING AND TRANSPORT SECTORS AS A WHOLE, EXCLUSIVE OF TRANSFER PAYMENTS.

• THESE GOVERNORATES HAVE NO PAB 11 EXPENDITURE ALLOCATION FOR THE TRANSPORT SECTOR.

107

LOCAL DEVELOPMENT II PROJECT PAPER

Annex 11

USAID'S ASSISTANCE TO THE GOVERNMENT OF EGYPT'S

LOCAL DEVELOPMENT PROGRAM:

DECENTRALIZATION SECTOR SUPPORT I

Accomplishments and Expenditures

to

March 31, 1985

Office of  
Local Administration and Development  
Division of Development Resources  
USAID/Cairo  
Office Director: Douglas Tinsler

DECENTRALIZATION SECTOR SUPPORT

Office Director: Douglas Tinsler

Since the mid-1970's Egypt has been changing its local development strategy from one of directing economic development from central ministries to one which places responsibility and authority on local governments to confront and solve local development problems. A series of laws have changed Egypt from a country with local administration, which was controlled from Cairo, to one with local government which increasingly democratizes the decisions made to bring about economic development.

USAID has since 1980 been providing funds, technical assistance, and training to assist the Government of Egypt to institutionalize its decentralized development strategy. Resources have been focused to improve the quality of life of low income residents, both rural and urban, through decentralizing the management of local projects to the appropriate level and increasing the role of local elected councils in development decisions. As the program evolves it will address the additional issues of local resource mobilization, operation and maintenance of local infrastructure and equipment, and involvement of small private enterprises in development.

Direction of the Sector is provided by an Interministerial Steering Committee, chaired by the Minister of Local Government, and interagency committees for each of the five constituent activities which are described on the attached pages.

Financial Summary for the Sector on March 31, 1985:

Authorized: \$525 mil. Obligated: \$525 mil. Expended: \$407 million.

Major Accomplishments:

- Almost all local administrations are implementing development projects; the program reaches every corner of Egypt.
- Local elected councils have demonstrated their ability to initiate and implement projects to meet local basic needs.
- The process of decentralized management and democratic decision making in 870 local councils have been significantly strengthened. The councils have designed and implemented over 6000 subprojects.
- Over 40,000 elected officials and local government staff have been trained in decentralization, project planning and management.
- Over 30,000 planning, implementation and maintenance manuals have been distributed to local units and used in training programs.
- Linkages to the emerging private sector have been stimulated through contracts for project implementation and the demonstration effects of village enterprises started under the program.

Major Issues for LD II:

Further decentralization of responsibility and authority for local development, popular participation, financial decentralization, local resource mobilization and recurrent costs, operation and maintenance of infrastructure, are all areas where analysis and further programs are

DEVELOPMENT DECENTRALIZATION I

Project Officer: Graham B. Kerr

This project is designed to increase the capacities and revenues of village councils throughout Egypt, and is encouraging cooperation between elected and executive councils during project selection, design and implementation. The project consists of a Local Development Fund (LDF) within the Organization for Reconstruction and Development of the Egyptian Village (ORDEV) and associated training and TA. The LDF loans money to village councils for income producing projects.

Financial Summary on March 31, 1985:

Authorized & Obligated: \$26.2 million. Expended: \$25.5 million.

PACD: 9/30/85

Major Accomplishments:

- Over 15,000 elected and executive council members have participated in project selection, design, and management. Elected councils review projects every quarter: local institutions have been built.
- More than 8,000 local elected and executive councillors and their staff have received project design, management and technical training. (Training budget is \$2.4 million and TA budget is \$3.31 million).
- Projects studied by a recent evaluation team (Dec. 1983) were returning an average of 19% per annum on investment.
- Over \$21 million from the Local Development Fund (capitalized by USAID at \$19.4 million) have been disbursed in 750 loans to 600 village units. This has been matched with \$8 million of locally contributed capital; thus total investment is more than \$29 million.
- Many subprojects act as demonstration projects and are being replicated by local private entrepreneurs.
- The project has caused major policy change in implementing organization; in the future, all funds for rural economic projects will be provided as loans, not as grants as in the past.
- DDI is promoting local development through participatory, democratically elected institutions. It is contributing to the evolution, growth and stability of democracy in Egypt.

Major Issues for LD II Design

- Role of credit, to or through the local councils, in stimulating local economic development, and involving local private enterprises.
- Use of alternative institutions to make credit available.
- Modifying interest rates to greatly reduce or eliminate subsidies.

BASIC VILLAGE SERVICES

Project Officer: Olivier Cardunner

The primary intent of BVS is to decentralize decision making related to public investment projects and strengthen the network of administrative processes and management skills at village, district and governorate levels in all participating governorates. A coordinated mix of TA, training and grant funds is provided to 860 local councils, representing about 3700 villages in 22 governorates. The councils select, design and implement infrastructure projects such as potable water systems, feeder roads, small bridges, swamp filling, and lining of canals. Particular emphasis is placed on involvement of elected village councils in project selection and execution.

Financial Summary as of March 31, 1985

	<u>GRANT</u>	<u>TITLE III</u>	<u>TOTAL</u>
Authorized	\$225 M	\$75 M	\$300 M
Obligated	\$225 M	\$73 M	\$298 M
Expended	\$186 M	\$73 M	\$259 M

PACD: 06/30/87

Major Accomplishments:

- 3400 villages (92%) have at least one BVS financed project, and all 860 village councils have participated in BVS.
- Average number of BVS projects per village council is 5, costing approximately LE 44,000 each. Thus each council has received an average of LE 220,000 over 3 years.
- Total number of projects is 4200, with 1760 completed, 1268 underway, and 1165 just financed.
  - 53% are water projects providing about 15,100 of pipes, 980 pump sets and 190 water wells;
  - 22% are road projects providing about 2700 kms of roads;
  - 25% are ferry boats, small bridges, drainage systems, sewerage systems, etc.
- Over 25,000 village leaders, and governorate staff, have received orientation or training in project planning, design, management, accounting and implementation. All are aware of USAID's role in BVS.
- Over 610 man-months of direct on-site technical assistance has been delivered to villages, marakaz and governorates, along with 20,000 copies of 20 Arabic language manuals.
- A March 1984 external evaluation concluded that we have a major locally based rural development success story in BVS.

Major Issues for ID II Design:

- Performance criteria for allocation of new funds.
- The problem of ground water drainage and wastewater disposal.
- Local resource mobilization.
- Infrastructure operation and maintenance.

112

DECENTRALIZATION SUPPORT FUND

Project Officer: Raymond E. McGuire

This Fund enables governorates to plan their needs for heavy equipment for local development programs. It provides fixed US dollar allocations to each of 21 rural governorates for purchasing American equipment to support local programs of public utilities, infrastructure and social services.

Development staff in the governorates plan the optimum use of their allocation. Technical assistance is provided to analyse individual governorate requirements and design proper specifications so that equipment received is suitably modified and/or custom-designed to fit local conditions and use.

Local private equipment dealers, all agents of US companies, provide operating and maintenance training for governorate staff as well as full warranty coverage and servicing.

Financial Summary on March 31, 1985:

Authorized and Obligated: \$100 million. Expended: \$57 million.

PACD: 06/30/87

Major Accomplishments:

- Equipment already bought is being used constantly to meet locally determined needs, and is often integrated with other resources provided through other USAID projects.
- Solid links between governorates and suppliers have been established for basic training and equipment maintenance.
- 1200 items of large equipment, such as dozers, graders, fire trucks, and refuse collectors, have been delivered to Egypt.
- 800 items are in the process of being ordered.
- The value of 2000 items and spare parts ordered and/or delivered totals approximately US\$ 93 million.

Major Issues for LD II Design:

- Recurrent cost budgets for maintenance and operation.
- Use of existing maintenance funds (GOE contribution).
- Training and retention of personnel.
- Revenue generation through leasing equipment to private sector when not needed by the governorates, and through repair work for other entities.

NEIGHBORHOOD URBAN SERVICES

Project Officer: Peter W. Amato

PROJECT PURPOSE: This activity finances modest size (average, LE 30,000) infrastructure improvements in selected low-income neighborhoods of Cairo and Alexandria and in the urban districts of Giza and Qaliubia to enhance living conditions and economic climate in those areas. The public works program are jointly identified, developed and executed by local councils and residents in participating urban districts. While three-fourths of all subprojects are implemented through the district administrative units, a large number of smaller activities are being conducted through local PVO's and neighborhood associations.

Financial Summary as of March 31, 1985:

Authorized and Obligated: \$89 million. Expended: \$65 million.

MAJOR ACCOMPLISHMENTS:

- Over 9 million Egyptians, in 23 urban districts, have been reached.
- Education: 523 new classrooms constructed; 20 school renovation subprojects; 34 equipment subprojects; new toilets in 45 schools.
- Infrastructure: 1.18 million square meters of paving laid; 187,000 linear meters of street lighting; 16,100 meters of sewer lines; 9,500 meters of water lines; 72 community water taps; 10,350 vertical sewer pipes on low income flats replaced; 30 public toilet units constructed; 27 solid waste projects providing several hundred cleaning carts and tractors and several thousand pieces of hand equipment.
- Health: 20 new hospitals, clinics and waiting sheds constructed; 15 renovations/additions to hospitals and clinics; 40 government hospitals and clinics equipped; 251 PVO (private) clinics and dispensaries equipped.
- Youth/Culture/Social Affairs: 29 new youth centers (or additions); 258 private and 8 government vocational training centers equipped; 222 other facilities equipped including youth centers, homes, cultural centers, libraries, elderly and handicapped hostels; 6 sports fields constructed; 291 nurseries and day care centers equipped.
- Markets/Food Security: 13 markets constructed/renovated and 17 food caravans placed in low income neighborhoods.

MAJOR ISSUES FOR LD II DESIGN:

- Maintenance funds and incentive pay.
- Institutionalizing preventive maintenance in the districts.
- Improve ability of elected and executive districts to plan, select, develop, execute and maintain subprojects; decentralize and democratize decisions.
- Establish funding levels for districts that will enable them to develop five year plans (strategic planning).
- Determine options and mechanisms for additional PVO funding from NUS experience.

SECTOR DEVELOPMENT AND SUPPORT

Project Officer: Magd Abdel Gawad

The Sector Development and Support project is financing activities which cut across the four on-going activities, impact on decentralization in a broad sectoral sense, and strengthen the key institutions involved in local development. The SDS, by providing the GOE with a flexible fund for sectoral activities, will encourage the GOE to focus on the sector as a whole. It will also permit USAID to maximize the value of the broader evaluations which will lead to an improved analytical base for the discussion of sectoral issues and policies. This new activity will assist AID to expand and deepen the policy dialogue with the GOE and to focus on future governmental strategies for local development in Egypt.

It is anticipated that the activities financed by SDS will fall into one of the following five broad categories: training; management systems development and improvement; institutional development; data collection and evaluation, and policy research and discussion.

SDS funds will be programmed by the Sector Steering Committee (SSC), the GOE implementing agency, through proposals from interested government and non-governmental organizations. The proposals will be reviewed and approved by the SSC and USAID, with primary implementation and coordination becoming the responsibility of the SSC Secretariat.

Financial Summary as of March 31, 1985:

Authorized and Obligated: \$10.00 million  
Expended: \$00.10 million

PACD: 6/30/87

Major Accomplishments:

- The Technical Secretariat of the Sector Steering Committee and ORDEV have developed preliminary plans for implementing SDS activities.
- Several research proposals regarding local development have been submitted to the SSC for their consideration.
- The Ministry of Local Government (MLG) has promulgated Decree No. 99/1984 establishing the Sakkara Training Center. A small team of consultants is working closely with ORDEV developing the program and organization for the Center.
- The MLG has organized a Technical Board, the Amara Faneya, for the design of LD II, which is meeting regularly.

Annex 12

Project Authorization

August 15, 1985



# UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

## PROJECT AUTHORIZATION

Name of Country: Arab Republic of Egypt Name of Project : Local Development II  
Number of Project: 263-0182

1. Pursuant to Sections 531 and 532 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize the Local Development II Program (the "Program") for the Arab Republic of Egypt ("Cooperating Country") involving planned obligations not to exceed One Hundred Fifty-Six Million United States Dollars (\$156,000,000) in grant funds over a two (2) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB allotment process, to help in financing the foreign-exchange and local-currency costs of goods and services required for the Program. Of the amount authorized for the Program, up to Sixty-One Million Dollars (\$61,000,000) is authorized for obligation in FY 1985. The planned life of the Program is approximately four (4) years and two (2) months from the date of initial obligation.

2. The Project will be a cooperative program between the governments of Egypt and the United States to improve and expand the capacity of local government to plan, finance, implement and maintain locally-chosen basic services projects and to improve the capacity of local government to mobilize local resources to sustain the provision of services.

3. The Program Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to terms and conditions, covenants and conditions precedent in substance as follows, together with such other terms and conditions as A.I.D. may deem appropriate.

### A. Source and Origin, Nationality of Services

Commodities financed by A.I.D. under the Program shall have their source and origin in the Cooperating Country or in the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Cooperating Country or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Program shall, except as A.I.D. may otherwise agree in writing, be financed on flag vessels and carriers of the United States.

117

B. Conditions Precedent to Disbursement

The Program Agreement shall contain conditions precedent in substance as follows:

Prior to any disbursement or to the issuance by A.I.D. of any commitment documents under the Grant, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) evidence that the GOE has issued the necessary policy determinations establishing an Interministerial Local Development Committee (ILDC) responsible for Program policy and coordination. The members of the ILDC will be designated by the Ministries of Local Government, Planning and International Cooperation, and Finance. They will be drawn from appropriate Ministries concerned with local development activities;

(2) evidence that the GOE has issued the necessary policy determinations to create, under the ILDC, two committees, one for urban governorates and one for provincial governorates, and has defined their respective roles in terms of functions, staff and resources, and related matters;

(3) evidence that the GOE has issued the necessary policy determinations to create a Technical Secretariat (AMANA) for the life of the Program and defined its role in terms of policy analysis, technical coordination, monitoring of implementation, evaluation and related matters, and authorized it to acquire and retain necessary professional and administrative staff and provided it with an adequate annual budget over the life of Program, and

(4) evidence that an appropriate mechanism has been established and agreed to by both Parties to account for maintenance fund contributions by the Grantee.

Notwithstanding the foregoing, upon the agreement of the Parties, funds may be committed and disbursed to finance technical assistance contracts prior to the satisfaction of the above-listed conditions precedent to first disbursement.

(C) Conditions Precedent to Disbursements of Block Grant Funds

Prior to each disbursement of Block Grant Funds for local government units in the Basic Services Delivery Systems component of the Program, or to the issuance by A.I.D. of any commitment documents under this Agreement for each such disbursement, the GOE shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(1) evidence that a special Block Grant account has been established at the Ministry of Local Government (MLG) for deposit of A.I.D. and GOE Block Grant funds; and

(2) evidence that a Basic Services Capital Investment Account has been established in each participating local unit, under the regulations of the local councils' Local Services and Development Account and that an amount equal to 5% of the A.I.D. grant to that local unit has been deposited by the local government unit;

(3) evidence that the Ministry of Planning and International Cooperation (MPIC) has deposited in the MLG Block Grant account an amount equal to the local contribution or equal to 5% of the A.I.D. Block grant;

(4) evidence that amounts, equal to 5% of the accumulated capital costs of the Basic Village Services Activity (BVS), the Neighborhood Urban Services Activity (NUS) and this Program and 10% of Development Support Fund and this Program's equipment investments in that governorate, have been deposited in the accounts by the Ministry of Finance, through an allocation and disbursement from the national recurrent cost budget (BAB II). The above percentages and total maintenance cost figures in the budget in Annex 1 are based on an estimate of average annual maintenance costs. The Parties agree that these estimates will be refined to obtain more exact maintenance cost figures; and

(5) evidence that plans for Block Grant funded projects have been approved by ILDC sub-committees and Governorate Local Development Committees.

(D) Conditions Precedent to Disbursements of PVO Funds to the Governorates

Prior to each disbursement of PVO funds to the governorates or to the issuance by A.I.D. of any commitment documents by which such disbursement will be made, the GOE shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(1) evidence that the plans for the PVO projects for which funds will be disbursed have been approved by the cooperating local units and the governorate local development committees and submitted for review to the provincial and urban subcommittees of the ILDC; and

(2) evidence that the governorate requesting disbursement has deposited 5% of its request in a specially-designated PVO account under the regulations of the governorate's Local Services and Development Account.

1.9

(E) Covenants

The Grant Agreement shall contain covenants substantially as follows:

(1) the GOE will maintain a quarterly financial and physical progress report on each individual subproject and will maintain a quarterly cash management report showing the dates of transfers of Block Grant and Maintenance Funds to each implementing entity. These reports will be made available to A.I.D. on a quarterly basis, within 60 days after the end of the quarter;

(2) the funds for basic services operation and maintenance in each governorate will be disbursed completely each fiscal year to appropriate institutions at the village, markaz and governorate levels to implement the Operations and Maintenance program for the governorate as a whole. A biannual review on progress on maintenance cost financing will be held between the Parties;

(3) the GOE shall place at the lowest level of local administration, where appropriate, a qualified accountant approved by the Ministry of Finance who will be authorized by the Ministry of Finance and the governorate to sign financial documents;

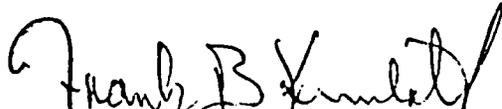
(4) the GOE shall covenant that Project plans and budgets for water, wastewater, road and other infrastructure projects, as appropriate, shall include adequate funds to finance detailed design and construction supervision costs following appropriate technical criteria approved by ILDC sub-committees and the AMANA;

(5) the GOE shall covenant that each governorate will establish Governorate Local Development Committees (GLDC) comprising both elected and executive council members; the GLDCs will coordinate the governorate's program under the Program;

(6) the GOE shall covenant that Four Million Egyptian pounds (LE 4,000,000) will be allocated from the national budget for wages (BAB I) to governorates in the amount of 2.5% of the BSDS grant for each sub-project. This will be used for an incentive pay plan and to cover overtime wages for GOE personnel working on sub-project activities;

(7) contractor penalty fees, interest, and all other revenues generated from the use of Block Grant funds will belong to the GOE and will be retained for Program use, including settlement of banking charges and other administrative expenses, in the Local Basic Services Capital Investment Accounts from which such revenues were generated; and

(8) The GOE will use its best efforts to increase the share of recurrent costs that are financed locally by locally applied cost recovery measures.

  
\_\_\_\_\_  
Frank B. Kimball, Director  
USAID/Egypt

Aug 15, 1985  
Date

Clearances: A/AD/DPPE:JConly JMC  
AD/DR:RvanRaalte JMC  
AD/FM:JMcMahon JMC

MJW  
LEG:MPWilliams

Annex 13

Program Agreement

PROGRAM  
GRANT AGREEMENT  
BETWEEN  
THE ARAB REPUBLIC OF EGYPT  
AND THE  
UNITED STATES OF AMERICA  
FOR  
LOCAL DEVELOPMENT - II

---

Dated: SEP 12 1985

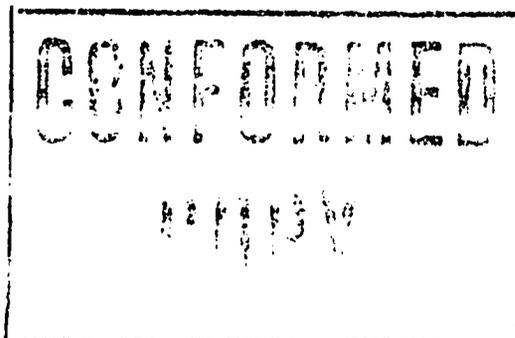


Table of Contents

Program Grant Agreement

	<u>Page</u>
Article 1: The Agreement	1
Article 2: The Program	1
SECTION 2.1. Definition of Program	1
SECTION 2.2. Incremental Nature of Program	2
Article 3: Financing	2
SECTION 3.1. The Grant	2
SECTION 3.2. Grantee Resources for the Program	3
SECTION 3.3. Program Assistance Completion Date	3
Article 4: Requirements Precedent to Disbursement	4
SECTION 4.1. First Disbursement	4
SECTION 4.2. Notification	5
SECTION 4.3. Terminal Dates for Requirements Precedent to First Disbursement	5
SECTION 4.4. Disbursements of Block Grant Funds	6
SECTION 4.5. Disbursements of PVO Funds to the Governorates	7
Article 5: Special Covenants	8
SECTION 5.1. Program Evaluation	8
SECTION 5.2. Ratification	8
SECTION 5.3. Progress Reports	8
SECTION 5.4. Basic Services Operation and Maintenance Accounts	9
SECTION 5.5. Village Unit Accountants	9
SECTION 5.6. Funds for Design and Construction Supervision	9
SECTION 5.7. Establishment of Governorate Local Development Committees	9
SECTION 5.8. Incentive Pay Plan	9
SECTION 5.9. Retention of Penalty Fees and Interest	10
SECTION 5.10. Increased Mobilization of Local Resources to Finance Recurrent Costs	10
Article 6: Procurement Source	10
SECTION 6.1. Foreign Exchange Costs	10
SECTION 6.2. Local Currency Costs	11

Table of Contents (continued)  
Program Grant Agreement

Article 7: Disbursement	11
SECTION 7.1. Disbursement for Foreign Exchange Costs	11
SECTION 7.2. Disbursement for Local Currency Costs	12
SECTION 7.3. Other Forms of Disbursement	12
SECTION 7.4. Rate of Exchange	12
Article 8: Miscellaneous	13
SECTION 8.1. Communications	13
SECTION 8.2. Representatives	14
SECTION 8.3. Language of Agreement	15
SECTION 8.4. Standard Provisions Annex	15
Annex 1	
PROGRAM DESCRIPTION	
Annex 2	
<hr/>	
PROGRAM GRANT STANDARD PROVISIONS	
<hr/>	

Table of Contents

Program Grant Standard Provisions Annex

	<u>Page</u>
Article A: Program Implementation Letters	1
Article B: General Covenants	1
SECTION B.1. Consultation	1
SECTION B.2. Execution of Project	1
SECTION B.3. Utilization of Goods and Services	2
SECTION B.4. Taxation	2
SECTION B.5. Reports, Records, Inspections, Audit	2
SECTION B.6. Completeness of Information	3
SECTION B.7. Other Payments	3
SECTION B.8. Information and Marking	3
Article C: Procurement Provisions	3
SECTION C.1. Special Rules	3
SECTION C.2. Eligibility Date	4
SECTION C.3. Plans, Specifications, & Contracts	4
SECTION C.4. Reasonable Price	5
SECTION C.5. Notification to Potential Suppliers	5
SECTION C.6. Shipping	5
SECTION C.7. Insurance	6
SECTION C.8. U.S. Government-Owned Excess Property	7
Article D: Termination; Remedies	7
SECTION D.1. Termination	7
SECTION D.2. Refunds	8
SECTION D.3. Nonwaiver of Remedies	8
SECTION D.4. Assignment	9

Program Grant Agreement

Dated SEP 12 1985

Between

The Arab Republic of Egypt ("Grantee")

And

The United States of America, acting through the Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties"), with respect to the undertaking by the Grantee of the Program described below and with respect to the financing of the Program by the Parties.

---

Article 2: The Program

SECTION 2.1. Definition of Program. The Program, which is further described in Annex 1, will be a cooperative program between the governments of Egypt and the United States to improve and expand the capacity of local government to plan, finance, implement and maintain locally-chosen basic service projects and to improve the capacity of local government to mobilize local resources to sustain the provision of services.

Annex 1, attached, amplifies the above definition of the Program. Within the limits of the above definition of the Program, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2., without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Program.

(a) A.I.D.'s contribution to the Program will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

---

(b) Within the overall Program Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Program Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Program, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Sixty-One Million United States ("U.S.") Dollars (\$61,000,000) ("Grant"). Subject to the limitations of Section 2.2 above, total A.I.D. funding of One Hundred Fifty-Six Million U.S. Dollars (\$156,000,000) is anticipated.

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Program.

(a) The Grantee agrees to provide or cause to be provided for the Program all funds, in addition to the Grant, and all other resources required to carry out the Program effectively and in a timely manner.

(b) The resources provided by Grantee for the Program will be not less than the Egyptian Pound equivalent Twenty-Nine Million Eight Hundred Forty-Four Thousand U.S. Dollars (\$29,844,000). By the Program Assistance Completion Date, the Grantee will have contributed not less than a total of the Egyptian Pounds equivalent of Seventy-Two Million Two Hundred Twenty-Five Thousand U.S. Dollars (\$72,225,000).

---

SECTION 3.3. Program Assistance Completion Date.

(a) The "Program Assistance Completion Date" (PACD), which is September 30, 1989, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Program as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Program, as contemplated in this Agreement, subsequent to the PACD.

129.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters, were not received before the expiration of said period.

Article 4: Requirements Precedent to Disbursement.

SECTION 4.1. First Disbursement. Prior to any disbursement or to the issuance by A.I.D. of any commitment documents under this Agreement,  
-----  
the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in satisfactory form and substance:

(a) a statement of the names and titles of the persons authorized pursuant to Section 8.2 to act as the representatives of the Grantee, together with a specimen signature of each person specified in such statement.

(b) evidence that the Grantee has issued the necessary policy determinations establishing an interministerial local development committee (ILDC) responsible for Program policy and coordination. The members of the ILDC will be appointed by the Ministries of Local Government, Planning and International Cooperation and Finance. They will be drawn from sectors concerned with local development activities.

120

(c) evidence that the Grantee has taken the necessary steps to establish, under the ILDC, two committees, one for urban governorates and one for provincial governorates, and that their roles have been defined with respect to functions, staff and resources, and related matters;

(d) evidence that the Grantee has issued the necessary policy determinations to create a Technical Secretariat (AMANA) for the life of the Program and defined its role in terms of policy analysis, technical coordination, monitoring of implementation, evaluation, and related matters, and authorized it to acquire and retain necessary professional and administrative staff and provided it with an adequate annual budget over the life of Program; and

(e) evidence that an appropriate mechanism has been established and agreed to by both Parties, to account for maintenance fund contributions provided by the Grantee.

---

Notwithstanding the foregoing, upon the agreement of the Parties, funds may be committed and disbursed to finance technical assistance contracts prior to the satisfaction of the above-listed requirements precedent to first disbursement.

SECTION 4.2. Notification. When A.I.D. has determined that the requirements precedent specified above have been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Date for Requirements Precedent to Disbursement. If all of the conditions specified in Section 4.1 have not

131

been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee. If all the requirements specified in Section 4.4 and Section 4.5 have not been met within the time limits specified in Program Implementation Letters, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate the Agreement by written notice to Grantee.

SECTION 4.4. Disbursements of Block Grant Funds. Prior to each disbursement of Block Grant Funds for local government units in the Basic Services Delivery Systems component of the Project, or to the issuance by A.I.D. of any commitment documents under this Agreement for each such disbursement, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) evidence that a special Block Grant account has been established at the Ministry of Local Government (MLG) for deposit of A.I.D. and Grantee Block Grant funds; and

(b) evidence that a Basic Services Capital Investment Account has been established in each participating local unit, under the regulations of the local councils' Local Services and Development Account and that an amount equal to at least 5% of the A.I.D. grant to that local unit has been deposited by the local government unit;

(c) evidence that the Ministry of Planning and International Cooperation (MPIC) has deposited, in the MLG Block Grant account, an amount equal to the local contribution or equal to 5% of the A.I.D. Block Grant;

(d) evidence that amounts, equal to 5% of the accumulated capital costs of the Basic Village Services Activity (BVS), the Neighborhood Urban Services Activity (NUS) and this Program and 10% of Development Support Fund and this Program's equipment investments (after the investments have been realized) in that governorate, have been allocated and disbursed by the Ministry of Finance from the national recurrent cost budget (BAB II). The above percentages and the total maintenance cost figures in the budget in Annex 1 are based on an estimate of average annual maintenance costs. The Parties agree that these estimates will be refined to obtain more exact maintenance cost figures; and

(e) evidence that plans for Block Grant funded projects have been approved by ILDC sub-committees and Governorate Local Development Committees.

SECTION 4.5. Disbursements of PVO Funds to the Governorates.

---

Prior to each disbursement of PVO funds to the governorates or to the issuance by A.I.D. of any commitment documents by which such disbursement will be made, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) evidence that the plans for the PVO projects for which funds will be disbursed have been approved by the cooperating local units and the governorate local development committees and submitted for review to the provincial and urban subcommittees of the ILDC; and

(b) evidence that the governorate requesting disbursement has deposited 5% of its request in a specially-designated PVO account which has been established under the regulations of the governorate's Local Services and Development Account.

Article 5: Special Covenants.

SECTION 5.1. Program Evaluation. The Parties agree to establish an evaluation program as part of the Program. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Program and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Program;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Program.

SECTION 5.2. Ratification. The Grantee will take all necessary ~~action to complete all legal procedures necessary to ratification of this~~ Agreement and will notify A.I.D. as promptly as possible of the fact of such ratification.

SECTION 5.3. Progress Reports. The Grantee will maintain a quarterly financial and physical progress report on each individual subproject and will maintain a quarterly cash management report showing the dates of transfers of Block Grant and Maintenance Funds to each implementing entity. These reports will be made available to A.I.D. on a quarterly basis, within 60 days after the end of the quarter.

12/1

SECTION 5.4. Funds For Basic Services Operation and Maintenance.

The funds for basic services operation and maintenance in each governorate will be disbursed completely each fiscal year to appropriate institutions at the village, markaz and governorate levels to implement the Operations and Maintenance program for the governorate as a whole. A biannual review of progress on maintenance cost financing will be held between the Parties.

SECTION 5.5. Village Unit Accountants. The Grantee shall place at the lowest level of local administration, where appropriate, a qualified accountant approved by the Ministry of Finance who will be authorized by the Ministry of Finance and the governorate to sign financial documents.

SECTION 5.6. Funds for Design and Construction Supervision. The Grantee covenants that Project plans and budgets for water, wastewater, road and other infrastructure projects, as appropriate, shall include adequate funds to finance detailed design and construction supervision costs following appropriate technical criteria approved by ILDC sub-committees and the AMANA.

SECTION 5.7. Establishment of Governorate Local Development Committees. The Grantee covenants that each governorate will establish Governorate Local Development Committees (GLDC) comprising both elected and executive council members. The GLDCs will coordinate the governorate's program under the Program.

SECTION 5.8. Incentive Pay Plans. The Grantee covenants that an amount equal to 2.5% of the BSDS grant for each sub-project will be allocated from the national budget for wages (Bab I) to governorates and that the total of such payments will be an amount not to exceed Four Million Egyptian Pounds (L.E. 4,000,000).

This will be used for an incentive pay plan and to cover overtime wages for GOE personnel working on subproject activities.

SECTION 5.9. Retention of Penalty Fees and Interest. Contractor penalty fees, interest, and all other revenues generated from the use of Block Grant funds will belong to the Grantee and will be retained for Program use including settlement of banking charges and other administrative expenses, in the Local Basic Services Capital Investment Accounts from which such revenues were generated.

SECTION 5.10. Increased Mobilization of Local Resources to Finance Recurrent Costs. The Grantee will use its best efforts to increase the share of recurrent costs that are financed locally by locally-applied cost recovery measures.

Article 6: Procurement Source

---

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Program having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Program Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

12/30

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Program having their source and, except as Parties may otherwise agree in writing, their origin in the Arab Republic of Egypt ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Program in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

---

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Program Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on Grantee's behalf for the Program; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

137

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to, in writing, may also be financed the Grant.

Section 7.2 Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Program in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary support documentation as prescribed in Program Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Egypt by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into currency of the Arab Republic of Egypt at the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

125

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by A.I.D. or the Grantee to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Ministry of Planning and  
International Cooperation  
8 Adly Street  
7th Floor  
-----  
Cairo, Egypt

To A.I.D.:

A.I.D.  
U.S. Embassy  
Cairo, Egypt

To the Implementing Organizations:

89

Ministry of Local Government

Agrarian Reform Building

Shooting Club Road

Dokki, Cairo

Ministry of Finance

Hussein Hegaze Street

Lazougli Square, Cairo

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

---

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the Minister of Planning and International Cooperation and/or the Administrator of the Department for Economic Cooperation with U.S.A. and/or Minister of Local Government and/or the Minister of Finance , and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D.,

140

which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Language of Agreement. This agreement is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version shall control.

SECTION 8.4. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

BY : K. A. El-Ghazal  
NAME : Kamal Ahmed El-Ganzoury  
TITLE: Deputy Prime Minister and  
Minister of Planning and  
International Cooperation

ARAB REPUBLIC OF EGYPT

BY : Ahmed Abdel Salam Zaki  
NAME : Mr. Ahmad Abdel Salam Zaki  
TITLE: Administrato of the Department  
for Economic Cooperation  
with U.S.A.

UNITED STATES OF AMERICA

BY : Nicholas Veliotis  
NAME : Nicholas Veliotis  
TITLE: American Ambassador

UNITED STATES OF AMERICA

BY : Arthur M. Handly  
NAME: Arthur M. Handly  
TITLE: Acting Director  
USAID/Egypt

Implementing Organization

In acknowledgement of the foregoing Agreement, the following representatives of the implementing organizations have subscribed their names:

MINISTRY OF FINANCE

BY : M. Salah Hamed

NAME : Mahmoud Salahi El Din Hamed

TITLE: Minister of Finance

MINISTRY OF LOCAL GOVERNMENT

BY : H. Hassan Soliman

NAME : Hassan Soliman Abou-Basha

TITLE: Minister of Local Government

142.

## Annex I

### The Program Description

#### I. Program Goal and Purposes

1. The goal of the Local Development II Program is to improve the quality of life of low income residents in rural and urban Egypt by providing greater access to essential basic services. The program will provide local government staff with experience in planning and management of resources for local development projects. Block Grants to local government units and PVOs will be used to finance a decentralized planning process aimed at improving basic services such as potable water, sanitation, roads and other municipal and village services.

2. The program is based on the hypothesis that if the authority, responsibilities and resources available to local councils are increased, then local government will use them to meet local needs, increase local participation in government and development, and ensure that basic services are delivered to low income residents. Evidence gathered during the implementation of the DSS I Program--the predecessor of LD II-- supports this hypothesis.

3. The purposes of the LD II Program are:

a) to improve and expand the capacity of local units to plan, organize, finance, implement and maintain locally chosen basic service projects, and,

b) to improve their capacity to mobilize local resources to sustain the provision of services.

4. The implementation strategy for LD II will stress the following themes:

- a) decentralization of local government,
- b) democratic participation,
- c) capacity building of local institutions,
- d) operations and Maintenance of basic services, and,
- e) public and private local resource mobilization.

5. The LD II Program comprises two systems:

- 1. The Basic Services Delivery System
- 2. The Local Resources Mobilization System.

#### II. The Basic Services Delivery System (BSDS)

1. The BSDS is designed to strengthen local governments, at all levels, so that they can provide and sustain basic services for their constituents. BSDS will address constraints associated with the capital planning process, project design, operation and maintenance (O&M) of basic services and equipment, and associated skills training.

2. Each participating governorate will receive an annual "block" grant which will finance a decentralized planning process aimed at improving basic services. The block grants will be disbursed after the Interministerial Local Development Committee receives and approves sub-project plans prepared by local government units.

3. USAID and MPIC will finance the block grants. Each participating governorate will receive an annual grant of approximately \$2.50 million. Each participating governorate will be required to match the 5% annual contribution provided by MPIC (i.e. \$0.12 million per governorate) with funds drawn from their respective Local Services and Development or other local sources Funds. All interest earned on the block grants shall belong to the Grantee and shall be used to attain program purposes.

4. Over the two annual planning and budgeting cycles financed by LD II, USAID will provide approximately \$122.7 million in capital financing. The MPIC will contribute approximately \$6.15 million equivalent in Egyptian Pounds, and participating local governments will contribute \$6.15 million equivalent in Egyptian Pounds.

5. In addition, the Ministry of Finance (MOF) will provide incremental financing to cover the estimated operation and maintenance (O&M) requirements associated with completed DSS I projects. On average, the MOF annual contribution, per governorate, will total approximately \$1.02 million in equivalent Egyptian Pounds. MOF disbursements will be made based on approved O&M plans submitted by each participating governorate. The estimated financing from the MOF will be approximately \$53.2 million equivalent in Egyptian Pounds.

6. Under LD II, each participating governorate and local unit will complete an annual planning, budget and implementation cycle covering five required steps:

- a) Assessment of needs;
- b) allocation of resources to each participating local unit;
- c) preparation of detailed investment and O&M plans;
- d) implementation (i.e. designing, construction and maintenance);
- and,
- e) evaluation of results.

It is estimated that each cycle will require approximately 30 months to implement.

7. Governorates and participating local units will prepare an annual maintenance plan and budget, which will address maintenance requirements for DSS I and LD II investments. Financing for approved maintenance plans will be made available by the Ministry of Finance through the BAB II recurrent cost account.

8. Plans for new capital investments proposed for LD II Block Grant funding will be developed, in the following order, of priority:

rehabilitation of maintenance facilities or construction of new maintenance facilities;  
rehabilitation of existing infrastructure; and  
new infrastructure or equipment.

governorates must demonstrate that the requirements under the first and for priorities have been satisfied before programming BSDS grants by new projects.

proposals submitted for new projects must include plans and O&M which will be implemented during the post construction, service delivery period.

at least than seventy five percent of each governorate's block grant and district councils in provincial governorates and district councils in urban governorates. Up to twenty five percent of each governorate's block grant may be reserved for governorate level projects which support village/district projects. This will be used for markaz and governorate maintenance facilities and equipment.

governorates will have the option to use up to twenty five percent of the USAID portion of their annual block grant as foreign exchange for importation of capital equipment not available in Egypt.

the types of projects that may be implemented by provincial governorates include: small water and wastewater projects, secondary and tertiary roads, maintenance facilities and equipment, and other small scale service infrastructure.

the types of projects that may be implemented by urban governorates include: additions to existing school and health clinics, street lighting and paving, small water, wastewater and solid waste projects and maintenance facilities and equipment, and other small scale basic service infrastructure.

The average project size will be approximately LE 55,000 to LE 60,000. Exceptions are expected in the case of water, wastewater and solid waste projects and governorate level maintenance facilities. These projects will fall between LE 100,000 and LE 400,000.

The BSDS End of Project Status will be as follows:

A GOE funded matching block grant system will be fully institutionalized;

A decentralized planning and budgeting system, as outlined in the Egyptian Law, will be more fully institutionalized;

Improved project planning and implementation capabilities at the level of local government;

145

D. Appropriate maintenance facilities in place and functioning at all levels of local government;

E. Improved operation and maintenance of basic public services;

F. Approximately 550 urban and 1900 provincial projects completed and approximately 500 pieces of imported rolling stock or fixed plant in place;

G. Approximately 40,000 council members will have received orientation training. Eleven thousand (11,000) local unit staff would have received skills training.

### III. Local Resource Mobilization (LRM) System

1. The LRM System has been designed to enable both public and private sector local institutions to promote local economic development. The LRM System has been organized into two separate subsystems:

-- A public sector component focused on improving the capacity of local government to mobilize local resources to finance an increasing share of local capital and recurrent development costs and to consider changes in the central - local government financial arrangements with the objective of improving local development planning and management by regularizing and making more predictable the flow of financial resources from the center to local government;

-- A private sector component focused on expanding basic services, normally provided by local government, by encouraging local government to tap and utilize the ability of private voluntary organizations (PVOs) for service delivery. The private sector LRM component would also explore and pilot test new approaches to the delivery of non-subsidized credit to small rural and urban enterprises.

2. The LRM will be directed by a sub-committee of the GOE Amana chaired by a senior member of the Ministry of Finance. The agenda of the sub-committee will be the following priority issues:

-- Grants from the central government presently account for approximately 85% of local government revenues. If local governments, over the medium term, are to cover the local operating and maintenance costs of basic services, the legal authority and management systems for local governments to generate additional local revenue need to be put in place. Initial efforts will be focused on increased application of user fees and other cost recovery measures at the local level.

-- Most local fees and taxes collected by local government are passed on to the central treasury and returned in the form of general subsidies. Thus, the link between setting higher user fees and ability to improve service delivery is tenuous. The sub-committee will examine the possibilities for modifying the present system to enable local jurisdictions to retain user fees and other revenues at the local level and dedicate them to recurrent costs of systems for which they were collected.

3. Technical assistance and training in support of the LRM sub-committee will be financed from the SDS project of DSS I.

4. By 1939 the End of Project Status for Public LRM will be as follows:

- a) Increased authorities for local councils to collect, retain and expend additional revenues, user fees, etc;
- b) Improvements in the present system of intergovernmental grants for BAB II recurrent costs, from an ad hoc system to a formula based system, so local governments can plan O&M requirements with greater certainty;
- c) Increased revenues and user fees collected and spent locally, with an increased proportion of recurrent costs for basic services infrastructure and equipment being assumed by local units;
- d) Financial management and administrative capacity of local governments strengthened in the field of resource generation and administration;
- e) Local accounting units, certified by the MOF, will be established and operating in local units;
- f) A local university will be offering a Master's degree in  
---public finance;-----
- g) A training program for local government and Ministry of Finance staff will be established and routinely operating.

5. The Private Sector LRM System will have two components:

- a) an activity to strengthen the linkages between local governments and PVOs in the provision and operation of basic services;
- b) and an unsubsidized credit program directed to small scale rural and urban enterprise. Studies will be undertaken by the Amana to explore the linking of the PVOs with OKDEV's Local Development Fund (LDF). LDF was started during DSS I. If both governments agree to proceed with a further credit activity, it will be incorporated into the FY 1986 amendment to the LD II Grant Agreement.

6. The LD II PVO activity will be directed by a sub-committee of the Amana chaired by a senior member of the Ministry of Social Affairs. The LD II Program will establish PVO Grant Funds in each participating governorate. Interest earned on the PVO Grant will belong to the Grantee and will be used for the Project. Grants will be made to specific PVOs after project proposals have been reviewed and approved by the governorates Local Development Committee. The Grant Fund will be 95% capitalized by USAID and 5% capitalized by the participating governorates. PVOs receiving grants will be required to contribute at least 25% of the cost of their proposed projects.

7. By 1989 the End of Project Status for private LRM will be:

a) A system that has the financial, managerial, and administrative capacity to integrate PVOs into the local development process;

b) Ministry of Social Affairs and Governorate Social Affairs directorates will be managing funds and providing technical assistance to local government units and PVOs;

c) A PVO training program for local government staff and PVO staff will be established and routinely operating with financing provided financed through local government training grants;

d) One thousand seven hundred (1700) PVO sub-projects, financed by the Governorate PVO Grant Funds, will be providing services to low income residents.

IV. LD II Scope and Phasing

1. The LD II Program will be national in scope, covering 20 provincial governorates, the four governorates comprising the metropolitan Cairo and Alexandria areas and the one city governorates of Suez and Port Said. The governorates of North and South Sinai will not receive LD II funding, since they have substantial undisbursed funds available under the BVS Project. Both Sinais will continue to participate in all LD II TA and training activities.

2. Each participating governorate will receive two annual investment and recurrent cost grants from USAID and the central government. Grants will be timed to coincide with the beginning of the GOE fiscal year.

3. The entry of both urban and provincial governorates will be phased. The four governorates comprising the metropolitan areas of Cairo and Alexandria will join the program during the first year of implementation. Port Said and Suez will join the program beginning the second year. Nine provincial governorates will join the program in the first year followed by the remaining eleven starting with the second year. Disbursements will, therefore, be phased over a three year period.

V. LD II Organization and Management

1. The DSS I Sector Steering Committee, created in 1982, will be renamed the Interministerial Local Development Committee (ILDC). It will be given broader ministerial representation, with members from Local Government, Planning, Finance and line ministries directly involved in local basic services such as Housing.

## Project Grant Standard

### Provisions ANNEX

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

#### Article A: Project Implementation Letters.

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

#### Article B: General Covenants

SECTION B.1 Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Project, and other matters relating to the Project.

---

#### SECTION B.2. Execution of Project. The Grantee will:

- (a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial and management practices, and in conformity with these documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and
- (b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

#### SECTION B.3. Utilization of Goods and Services.

- (a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

- (b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation. (a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

- (b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5. Reports, Records, Inspections, Audit.

The Grantee will:

- (a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- (b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and
- (c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records and other documents relating to the Project and the Grant.

SECTION B.6. Completeness of Information.

The Grantee confirms:

- (a) that the facts and circumstances of which it has informed A.I.D., or caused

157

A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

SECTION B.7. Other Payments.

Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marking.

The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C. Procurement Provisions.

SECTION C.1. Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons (and their personal effects) will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date.

No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

151

SECTION C.3. Plans, Specifications and Contracts.

In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the pre-qualification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection

(a) (2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by AID in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

SECTION C.4. Reasonable Price.

No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers.

To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation letters.

157

SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either:

(1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or

(2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or

(3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried:

(1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or

(2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or

(3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately-owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels,

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels, and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.

Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided:

- (1) such insurance is placed at the lowest available competitive rate, and
- (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency.

If the Grantee (or government of Grantee), by statute, decree, rule, regulation or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property.

The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Termination.

Either Party may terminate this Agreement by giving the other Party 30 days' written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payments which they are committed to make pursuant to non-cancellable commitments entered into with third parties prior to the

-154-