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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT PAPER

TECHNICAL COOPERATION AND FEASIBILITY STUDIES II

PROJECT NO. 263-0225

AUGUST 1992

USAID/CAIRO

UNCLASSIFIED

PROJECT DATA SHEET

TRANSACTION CODE: A = Add, C = Change, D = Delete
 Amendment Number: _____
 AID CODE: 3

2. COUNTRY/ENTITY: Egypt
 4. BUREAU/OFFICE: Near East
 5. PROJECT NUMBER: 1263 - 0225
 5. PROJECT TITLE (maximum 40 characters): Technical Cooperation and Feasibility Studies II

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 09/01/99
 7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4):
 A. Initial FY: 99 B. Quarter: 4 C. Final FY: 99

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

| A. FUNDING SOURCE | FIRST FY | | | LIFE OF PROJECT | | |
|------------------------|----------|--------|----------|-----------------|--------|----------|
| | B. FX | C. L/C | D. Total | E. FX | F. L/C | G. Total |
| AID Appropriated Total | 10,000 | | 10,000 | 50,000 | | 50,000 |
| (Grant) | () | () | () | () | () | () |
| (Loan) | () | () | () | () | () | () |
| Other U.S. 1. | | | | | | |
| U.S. 2. | | | | | | |
| Host Country | | 15,000 | 15,000 | | 30,000 | 30,000 |
| Other Donor(s) | | | | | | |
| TOTALS | | | 25,000 | | | 30,000 |

9. SCHEDULE OF AID FUNDING (\$000)

| A. APPROPRIATION | B. PRIMARY PURPOSE CODE | C. PRIMARY TECIL CODE | | D. OBLIGATIONS TO DATE | | E. AMOUNT APPROVED THIS ACTION | | F. LIFE OF PROJECT | |
|------------------|-------------------------|-----------------------|---------|------------------------|---------|--------------------------------|---------|--------------------|---------|
| | | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan |
| (1) ESF | | | | | | 10,000 | | 50,000 | |
| (2) | | | | | | | | | |
| (3) | | | | | | | | | |
| (4) | | | | | | | | | |
| TOTALS | | | | | | | | | |

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): _____
 11. SECONDARY PURPOSE CODES: _____
 12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each):
 A. Code: _____ B. Amount: _____
 13. PROJECT PURPOSE (maximum 480 characters):

To assist USAID and Egypt to identify, develop, execute, monitor and evaluate priority development activities.

14. SCHEDULED EVALUATIONS: Interim MM YY | MM YY | Final MM YY
 15. SOURCE/ORIGIN OF GOODS AND SERVICES: 000 94 Local Other (Specify) _____

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

USAID/Egypt Controller concurs with the proposed methods of implementation and financing.

Douglas J. Franklin
 Douglas Franklin, Controller

17. APPROVED BY: Signature: *[Signature]*
 Title: Henry H. Bassford, Director, USAID/Egypt
 Date Signed: MM DD YY 08/19/99
 18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT PAPER
TECHNICAL COOPERATION AND FEASIBILITY STUDIES II
PROJECT NO. 263-0225

AUGUST 1992

USAID/CAIRO

UNCLASSIFIED

July 21, 1992

MEMORANDUM

TO : Robert Jordan, A/AD/PDS
FROM : Mona El Shafer, PDS/P
SUBJECT : Executive Committee Review of the Technical Cooperation and Feasibility Studies II (263-0225) Project Paper

PDS/P has completed the design of the new Technical Cooperation and Feasibility Studies II project. The project paper was prepared by PDS/P, with the collaboration of the Project Committee and other Mission offices. The project paper, attached, has been cleared by the Project Committee and is ready for review and approval by the Executive Committee. You are requested to schedule a meeting with the Executive Committee for that purpose.

The following issue was identified for discussion at the EXCOM review:

Project Implementation Procedures: Approval of Activities Initiated by MIC:

As set forth in the PP, project-funded activities may be initiated by the Mission and MIC. The activity review and approval process proposed under Project 0225 essentially will be the same as that followed under the on-going Technical Cooperation and Feasibility Studies Project (0102). Under Project 0102, MIC usually acts on behalf of a GOE implementing entity when it submits a funding proposal to USAID for project financing. To date, fifty-two activities have been initiated by MIC. Funding for these proposed activities was requested from Project 0102 and/or the FT800 Account. Thirteen activities (25% of the total number) were disapproved by USAID.

The majority of these activities involve the attendance of Egyptian professionals at off-shore conferences, seminars and workshops covering a wide range of technical, managerial and policy issues. MIC-initiated activities also include special studies, such as a Ministry of Health request for a study on drug abuse in Egypt, and technical assistance activities, such as the establishment of the Credit Guarantee Corporation (in local currency, from the FT800 Account), and the High Dam seismic assessment.

Implementation procedures currently used under Project 0102 give USAID the right to approve/disapprove each individual funding proposal submitted by Egyptian governmental or private sector entities. If a funding proposal is submitted by the Mission, MIC, as the primary GOE counterpart to the project, has two working weeks in which to object. Grounds for objection are specifically

spelled out in a Project Implementation Letter dated September 1988. MIC may only object to USAID's intent to use project funds for a certain activity if a) the activity is politically inappropriate; b) if the work proposed is redundant, or has already been carried out and MIC can prove it; or c) if the activity does not fall in an area covered in the GOE Five Year Development Plan.

USAID has used its disapproval "rights" to reject a number of MIC-initiated activities that usually involve public sector entities, or that are not related to the Mission strategy. Recent examples include MIC's requests to set up a permanent export exhibition in Cairo; to provide technical and financial support to the Center for Educational Reform (CHER), and to establish an office for the Egyptian Association for Engineering Industries.

Most of these requests are in local currency, and require minimal, if any, U.S. dollars. However, the activities tend to be management-intensive, and require continuous oversight - as most major technical assistance activities - by the Mission. In most instances, the Mission has recommended that MIC use its own unilateral set-aside under the Special Account to finance these activities. However, USAID's refusal to use Project 0102/FT800 funds for some of these activities has become a contentious issue for our counterparts in MIC, who perceive that they are an unequal partner in the management of Project 0102, given the fact that they do not have reciprocal disapproval rights. This issue needs to be addressed and resolved to the mutual satisfaction of both MIC and USAID if the overall management and programming of Project 0225 funds is to be more efficient and effective.

Project Committee:

| | | | |
|--------------|---------------------|-------------------|----------------|
| Chairperson: | M. El Shafei, PDS/P | <u>J. Shafei</u> | <u>7/21/92</u> |
| PDS/P : | R. Helmi, PDS/P | <u>R. Helmi</u> | <u>7/21/92</u> |
| PDS/PS : | R. Jordan | <u>R. Jordan</u> | <u>7/21/92</u> |
| LEG : | V. Moore | <u>V. Moore</u> | <u>7/21/92</u> |
| FM/FA : | J. Redder | <u>J. Redder</u> | <u>7/21/92</u> |
| FM/FO : | H. Abboud | <u>H. Abboud</u> | <u>7/21/92</u> |
| EAS : | J. Goode | <u>J. Goode</u> | <u>7/21/92</u> |
| DIR/CS : | B. Paige | <u>B. Paige</u> | <u>7/21/92</u> |
| TI/FI : | T. Hammann | <u>T. Hammann</u> | <u>7/21/92</u> |
| HRDC/ET : | F. Naguib | <u>F. Naguib</u> | <u>7/21/92</u> |
| HRDC/PVO : | K. Gohar | <u>K. Gohar</u> | <u>7/21/92</u> |
| PDS/P/EVAL : | R. Parks | <u>R. Parks</u> | <u>7/21/92</u> |
| AD/PDS : | C. Crowley | <u>C. Crowley</u> | <u>7/21/92</u> |

Drafted: MEIshafei, PDS/P. July 20, 1992. EXCOM.



CAIRO EGYPT

PROJECT AUTHORIZATION

Name of Country: Arab Republic of Egypt
Name of Project: Technical Cooperation and Feasibility Studies II
Number of Project: 263-0225

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize the Technical Cooperation and Feasibility Studies II Project (the "Project") for the Arab Republic of Egypt ("Cooperating Country") involving planned obligations not to exceed Fifty Million United States Dollars (\$50,000,000) in grant funds over a seven year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. Operating Year Budget/Allotment process, to help in financing the foreign-exchange and local-currency costs of goods and services required for the Project. The estimated life of the Project is seven years from date of initial obligation.

2. The Project will assist the Government of Egypt, USAID/Egypt, and private sector entities in identifying, developing, executing, monitoring and evaluating priority development activities.

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

a. Source and Origin of Goods and Services

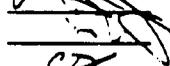
Goods and services financed by A.I.D. under the Project, except for ocean shipping, shall have their source and origin in the United States, or in Egypt as authorized pursuant to the requirements of State 410442, except as the USAID/Cairo Mission Director, or his/her designee, may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed on flag vessels of the United States.

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


Henry H. Bassford
Director
8/1/92
Date

Clearances:

A/OD/PDS/P, JGiusti
A/AD/PDS, RJordan
FM/FA, JRedder
A/D/DIR, CCrowley


Drafted: LEG:VMoore:7/20/92:PATH225



EGYPT: TECHNICAL COOPERATION & FEASIBILITY STUDIES II
263 - 0225

TABLE OF CONTENTS

PROJECT DATA SHEET

PROJECT AUTHORIZATION

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS

EXECUTIVE SUMMARY AND RECOMMENDATIONS

I. PROJECT RATIONALE AND DESCRIPTION

A. Rationale

1. Background and Rationale for a Follow-on Project
2. Conformity with GOE and AID Development Strategies
3. Relationship to Current AID and Other Donor Activities
4. Relevant Experience with Similar Projects: Lessons Learned

B. Goal, Purpose and End of Project Status Conditions

C. Project Activities

- i. Feasibility, technical, general and special studies; Project/program design and pre-project activities; Assessments/evaluations/audits; Technical Assistance; Conferences, seminars and workshops; Activities that accelerate the Implementation of the AID Program in Egypt; and
- ii. Private Voluntary Organization Activities

D. Outputs and Indicators

1. Major Outputs
2. Impact

II. COST ESTIMATES AND FINANCIAL PLAN

A. Project Costs by Element

B. Project Costs by Project Year

C. Methods of Implementation and Financing

D. Audits

E. Recurrent Costs

III. IMPLEMENTATION PLAN

- A. Role and Responsibilities of GOE Agencies
- B. Management and Administrative Arrangements
 - 1. Project Management and Monitoring
- C. Procurement Plan
- D. "Buy America" Considerations
- E. Implementation Schedule

IV. MONITORING AND EVALUATION PLAN

V. SUMMARIES OF ANALYSES

- A. Technical Analysis
- B. Social Soundness and Women in Development Analysis
- C. Institutional and Administrative Analysis

VI. CONDITIONS AND COVENANTS

VII. ANNEXES

- 1. PID Approval Message
- 2. Logical Framework
- 3. Statutory Assistance Checklist
- 4. Grantee Request for Assistance
- 5. Gray Amendment Certification
- 6. Project Analyses
 - A. Technical Analysis
 - B. Social Soundness and Women in Development Analysis
 - C. Institutional and Administrative Analysis
- 7. IESC Project Paper, No. 263-0229 (Executive Summary)

ACRONYMS AND ABBREVIATIONS

| | |
|-------|---|
| AALC | African-American Labor Center |
| AID/W | Agency for International Development/Washington, D.C. |
| ACDI | Agricultural Cooperatives Development International |
| CARE | Cooperative of American Relief Everywhere |
| CBD | Commerce Business Daily |
| CDSS | Country Development Strategy Statement |
| CRS | Catholic Relief Services |
| EEC | European Economic Community |
| EOPS | End of Project Status |
| FSN | Foreign Service National |
| FY | Fiscal Year |
| GOE | Government of Egypt |
| HOPE | Health Organization for People Everywhere |
| IBRD | International Bank for Reconstruction and Development |
| IESC | International Executive Service Corps |
| IMF | International Monetary Fund |
| IQC | Indefinite Quantity Contract |
| LE | Livre Egyptien (Egyptian Pound) |
| LOP | Life-of-Project |
| MIC | Ministry of International Cooperation |
| NFA | Non-Federal Audit |
| PDS/P | Program Development and Support/Program Office |
| PID | Project Identification Document |
| PIL | Project Implementation Letter |
| PIO/T | Project Implementation Order/Technical Services |
| PIO/P | Project Implementation Order/Participant Training |
| PRC | Project Review Committee |
| PSC | Personal Services Contract |
| PVO | Private Voluntary Organization |
| SAL | Structural Adjustment Loan |
| SAVE | Save the Children, U.S. PVO |
| TA | Technical Assistance |
| TCFS | Technical Cooperation and Feasibility Studies |
| TDC | Trade Development Center |
| USAID | United States Agency for International Development |

EXECUTIVE SUMMARY AND RECOMMENDATIONS

I. Introduction:

This project paper presents a new follow-on project called Technical Cooperation and Feasibility Studies II (Project 263-0225). This is a successor project to a long series of TCFS projects that have financed a variety of activities of mutual benefit to Egypt and USAID/Cairo. AID's planned contribution to the project is an authorization of \$50 million. As its contribution to this project, the GOE is expected to make available the amount of \$30 million (Egyptian Pound equivalent) from the AID Activity Trust Account. This project is expected to be implemented over a period of seven years, starting in late FY 1992 with an initial obligation of \$10 million.

II. Project Description:

The Technical Cooperation and Feasibility Studies II Project is expected to strengthen and build upon the achievements of previous TCFS projects implemented by the Mission and the GOE. This follow-on project will be instrumental in helping USAID and Egyptian government and private sector entities make appropriate investment decisions to meet developmental needs, and to monitor and evaluate on-going programs. The project will finance the foreign exchange and local currency costs of two categories of activities:

- feasibility, technical and sector studies; design and pre-project activities; sector assessments, evaluations and audits; technical assistance; conferences, seminars and workshops; and activities that accelerate the implementation of the AID program in Egypt (to include assisting the Mission in carrying out its implementation, monitoring and accountability responsibilities); and
- private voluntary organization (PVO) activities.

III. Implementation:

Project 0225 will be managed by the Mission Program Office; individual sub-activities will be implemented by the different Mission technical offices. On the Egyptian side, the Ministry of International Cooperation (MIC) will continue to be the primary GOE counterpart, while diverse technical implementing agencies, private and public sector, assume day-to-day activity implementation responsibilities.

IV. Summary Financial Plan:

The total estimated cost of the project is \$80 million. Project costs are broken down as follows:

| | <u>USAID</u> <u>(\$000)</u> | <u>GOE</u> <u>(\$equiv)</u> | <u>TOTAL</u> <u>(\$000)</u> |
|--|--------------------------------|--------------------------------|--------------------------------|
| <u>Component One:</u> Feasibility, technical & sector studies, design and pre-project activities, sector assessments, evaluations and audits, technical assistance activities, conferences, seminars and workshops, and activities that accelerate the implementation of the AID program in Egypt | 30,000 | 16,500 | 46,500 |
| <u>Component Two:</u> Private Voluntary Organization activities | 20,000 | 13,500 | 33,500 |
| TOTAL: | 50,000 | 30,000 | 80,000 |

NOTE: LE 3.33/\$. Total host country cash contribution = LE 100,000,000, from the Special Account AID Activity Trust Account (FT800). Excludes in-kind contributions and contributions from private sector and non-governmental entities.

The AID contribution is estimated at \$50 million. It includes U.S. dollar and local currency financing for the above activities.

V. Project Negotiation Status:

The principal aspects of the project, such as project purpose and objectives, project activities, required resources and implementation arrangements, have been presented to the Ministry of International Cooperation (MIC).

VI. Recommendation:

The Project Committee recommends that you authorize the Technical Cooperation and Feasibility Studies II Project (263-0225) for \$50 million.

11

USAID Project Committee:

Chairperson: M. El Shafei, PDS/P
PDS/P : R. Helmi
PDS/PS : R. Jordan; M. June
LEG : V. Moore
FM/FA : J. Redder
FM/FO : H. Aboud
EAS : J. Goode
DIR/CS : B. Paige
TI/FI : T. Hammann
HRDC/ET : F. Naguib
HRDC/PVO : K. Gohar
PDS/P/EVAL : R. Parks

I. PROJECT RATIONALE AND DESCRIPTION

A. Rationale

1. Background and Rationale for a Follow-on Project

In order to promote and sustain economic growth, Egypt receives a broad spectrum of assistance grants and loans from bilateral as well as multilateral sources. Studies and analyses are needed to help identify priority areas for receipt of that assistance and to channel it in the most effective manner. Egypt has limited resources available for financing the scope and magnitude of studies required to effectively program the level of donor assistance it receives. Studies and analyses will continue to be required to assist the GOE to determine and allocate economic development assistance to the highest priority areas, as well as to help guide the private sector in its investment decisions.

In terms of the A.I.D. program, U.S. legislation requires a plethora of analyses prior to obligation of program funds, including detailed examination of engineering, technical, administrative, economic, financial, environmental, and other elements of project design. A.I.D. also requires pre-investment analysis as an aspect of sound management practice to avoid, as much as possible, problems during project implementation. USAID/Cairo also will continue to require a source of funding to finance studies and assessments of various sectors of the economy, project monitoring and evaluation services, as well as selected TA activities that fall within current USAID strategy.

The Technical Cooperation and Feasibility Studies II Project is expected to strengthen and build upon the achievements of previous TCFS projects implemented by the Mission and the GOE. The new follow-on project will be the sixth in a series of TCFS projects. Since 1975, over \$100 million have been obligated to fund feasibility and technical studies, sector studies, assessments and evaluations, design and pre-project activities, technical assistance, PVO activities, conferences, workshops and seminars and other activities that accelerate the implementation of the AID program in Egypt.

Prior TCFS projects have assisted the Mission and the Egyptian Government to make overall technical and economic planning decisions as well as specific pre-project analyses. They have financed project evaluations and assessments of projects that did not specifically budget funds for that purpose, and have supported selected U.S. PVO activities. Feasibility, technical and design work financed under these projects have identified a large number of projects that have been financed by AID/other donors and/or the GOE.

As a result of the success of these projects, and given the continuing need for TCFS activities by both Egypt and the Mission, USAID proposes to initiate a new follow-on project that continues this effort. This follow-on project will be instrumental in helping the Mission, the Egyptian Government and private sector entities make appropriate investment decisions to meet developmental needs, and to monitor and evaluate on-going programs. The most recent predecessor of this project, Technical Cooperation and Feasibility Studies, 263-0102, will have provided a total of \$46 million over an eleven year period by its PACD in August 1994.

2. Conformity with GOE and AID Development Strategies

By continuing to identify, develop, execute, monitor and evaluate priority development activities, this follow-on project will enable both the Egyptian and American Governments to make appropriate investment decisions to meet Egypt's priority developmental needs. The project fills an important gap in Egyptian investment and development planning efforts wherein minimal amounts are allocated for feasibility and technical studies, project design, and evaluations. Project 0225 also will finance studies, technical assistance and PVO activities in sectors and areas that conform with AID priorities as contained in the Mission Country Strategy.

U.S. PVOs will continue to receive financial and technical support from the project. PVOs play an important role, increasingly recognized by the GOE, in the provision of basic services and awareness programs at the community level. Project-financed technical assistance activities are usually in response to requests from Egyptian public and/or private sector entities that seek innovative approaches to problem-solving, or technological advances to improve operations. Project 0225 also will finance conferences, seminars and workshops held in the U.S. and third countries. This activity is of particular importance to Egypt as it affords an opportunity for Egyptian professionals to keep abreast of latest developments in many fields.

3. Relationship to Current AID and Other Donor Activities

This follow-on project will continue to finance activities that accelerate the implementation of the AID program in Egypt. The project will be used extensively by Mission technical directorates to fund project design, feasibility and technical studies, sector assessments, and selected technical assistance activities relating to their respective portfolios. In addition, project funds will be used for cross-cutting, sectoral or generic analyses and assessments. The Technical Cooperation and Feasibility Studies II project will continue to selectively finance large U.S. PVO activities until the pilot PVO Development Project is successfully institutionalized.

Other major bilateral and multilateral donors have feasibility study and technical assistance projects that are geared to identify, design, implement and evaluate their own economic assistance programs. However, there may be instances of a joint design effort among the GOE, USAID and other donors for major infrastructure projects that are to be co-financed.

4. Relevant Experience with Similar Projects: Lessons Learned

As mentioned before, this follow-on project is the sixth in a series of TCFS projects cumulatively financed at over \$100 million since 1975. Project 0225 will continue to finance the same categories of activities previously funded under other TCFS projects. Its immediate predecessor, Project 0102, was audited for the first time in January 1989. The audit report stated that the majority of Project 0102-funded activities were well managed, and had a positive impact on their beneficiaries. The audit stated that in the main, feasibility studies, project design, technical assistance and PVO activities had been quite successful in the areas of science and technology, physical infrastructure and construction management, agriculture, health, industry, and the private sector.

However, the report recommended that the Mission improve its programming and usage of project funds by providing clearer guidance on the nature, purpose and uses of TCFS grant funds. In response to this recommendation (which was one of two), USAID revised Mission Order 3-22, which provides guidelines and implementation procedures on the use of Project 0102 and FT300 Account funds.

B. Goal, Purpose and End of Project Status Conditions

Project Goal:

The goal of the project is to enable USAID and Egypt to make appropriate investment decisions to meet development needs.

Project Purpose:

The purpose of the project is to assist USAID and Egypt to identify, develop, execute, monitor and evaluate priority development activities.

End of Project Status:

To the extent that appropriate investment decisions addressing developmental needs are made, and priority activities designed, implemented, monitored and evaluated, the project goal will have been met. The ability to develop, execute, monitor and evaluate priority development activities becomes all the more critical in an environment of economic reform.

Selected technical assistance activities are expected to introduce effective approaches to developmental problems. PVO

activities will contribute to broadening the base of grassroots and community development, and are likely to have a positive impact on creating a more pluralistic society. The technological as well as cultural exchanges between Egyptian and American professionals at conferences and seminars should foster continuing relationships of goodwill and cooperation, in addition to the tangible gains of new information and state-of-the-art technology.

C. Project Activities

The project will provide foreign exchange and local currency funding for feasibility, technical, sector and design studies that identify and prepare development projects for AID/other donor/Egyptian financing. Project funds also will be used to finance sector/program evaluations and assessments, selected technical assistance activities, conferences, seminars and workshops, activities that accelerate the implementation of the AID program in Egypt - including long term TA (PSCs) to assist the Mission in carrying out its implementation, monitoring and accountability responsibilities - and selected PVO activities.

Also, as the Mission gradually moves into a sector assistance mode, the project will finance analyses required for the formulation of sector assessments, masterplans and strategies which lead to the provision of sector grants.

Given the emphasis currently placed by the U.S. Congress and AID on the environment and improving the efficiency of public institutions, it is expected that project funds will be used to undertake selected activities related to these two new initiatives. Recently, there has been some movement by the GOE to bring the environment to the forefront of its development agenda. In conjunction with the World Bank SAL (Structural Adjustment Loan), the GOE is in the process of developing an Environmental Action Plan.

Through this project as well as others, USAID has an opportunity to bring substantive resources to bear on major environmental issues. Current Mission strategy in this area is to improve coherence of approach and to add new activities (cost and staff-efficient) to the portfolio. The Mission's environmental strategic objective is to enhance the protection of fresh water and urban air quality, thereby improving the quality of life of Egyptian citizens. Project 0225 funds may be used to finance studies, assessments, technical assistance and pilot activities related to the environment, as well as design work for a stand-alone project on environmental policy and planning.

As Egypt embarks on a program of major economic reform, much remains to be done to guarantee broad participation of Egyptian citizens in the political and economic processes of national

development. The success of the economic reform program depends, in large measure, on its equitable application. A more transparent and participative decision-making process, introducing an element of equity, is likely to bring balance and stability to the system. The Mission believes that the time is right to support the improved efficiency of public institutions. Until the Mission's program in this area is more fully developed, project funds may be used to finance an interim phase consisting of studies, analyses and selected technical assistance activities. Given the sensitivity of this sector, proposed activities will be undertaken with the full cooperation and collaboration of the relevant host country entities.

The Technical Cooperation and Feasibility Studies II Project will have two major elements:

- I. Feasibility, technical and sector studies, project design, assessments, evaluations and audits, technical assistance, conferences, seminars and workshops, activities that accelerate the implementation of the AID program in Egypt, including long term TA (PSCs) to assist the Mission in carrying out its implementation, monitoring and accountability responsibilities; and
- II. Private Voluntary Organization (PVO) activities.

Table 1 below provides the major elements to be funded under this project. Estimated costs of each element also are given, illustratively, for the first year of obligation as well as for life of project.

I. 1. Feasibility, Technical and Sector Studies:

Feasibility and technical studies normally examine the economic, financial, technical, institutional and social viability of a project. It is particularly important to ensure that as Egypt's economic reform continues to progress, and as prices gradually rise towards world market levels, investments continue to be economically viable. Proposed projects also are subject to the test of financial viability and sustainability to ensure that they will not pose a drain on Egyptian budgetary resources over their life and will return dividends to the Egyptian economy.

Finally, technical viability is examined with the objective of identifying the best way of carrying out a project. Once the project has been determined to be worthwhile from an economic, financial and technical perspective, these studies also can serve an important role in the actual project design. Studies under this category also may examine the social and economic dynamics of a broad sector, the issues associated with that sector, and the investments or investment options that AID and the Egyptian Government may consider in the future.

**PLANNED ACTIVITIES UNDER PROJECT 0225, TECHNICAL
COOPERATION & FEASIBILITY STUDIES II, AND THE FT-800 ACCOUNT
ILLUSTRATIVE LIST (for FY 93 starts)**

| ACTIVITY | PLANNED START DATE |
|---|-----------------------|
| | MONTH/YEAR |
| I. A) <u>FEASIBILITY, TECHNICAL AND SECTOR STUDIES:</u> | |
| - Health strategy for Rational Health Financing & Pharmaceutical Pricing | January 1993 |
| - Water/Wastewater Tariff Study (to analyze real costs of O&M and recommend changes in tariff system and time frame to accomplish changes) | April 1993 |
| - AGR Sector Macro-Economic Policy Constraints | FY 93 |
| - Impact of AGR Reforms | FY 93 |
| - Socio-Econ. Impact of Consumer Subsidy | FY 93 |
| - Review of USAID portfolio to identify opportunities for augmenting sub-projects to improve environmental protection | Early FY 93 |
| - Environmental risk analysis to enhance Mission's understanding of economic & health costs of environmental problems, to refine Mission environmental strategy, to revalidate/revise Mission's environmental priorities, and to provide framework for strengthening environmental review of new projects and for identifying and assessing potential new environmental interventions | Early FY 93 |
| ESTIMATED FY 92 SUB-TOTAL: \$0.6 MILLION | |
| ESTIMATED LOP SUB-TOTAL: \$6.5 MILLION | |
| B) <u>PROJECT/PROGRAM DESIGN:</u> | |
| - Development of Trade and Investment Promotion Program (design work for the Direct Foreign Investment Promotion Project, scheduled for a FY 94 obligation) | FY 93 |
| - Design of new Capital Markets Project | FY 93 |
| - Scoping multi-donor effort to strengthen GOE central environmental organization | Early FY 93 |
| - Design of new Environmental Policy and Planning Project | March 1993 |
| - Telecommunications V (to analyze cost, pricing and capacity issues to help determine future AID support to this sector) | FY 93 |

| ACTIVITY | PLANNED START DATE |
|---|---|
| MONTH/YEAR | |
| <ul style="list-style-type: none"> - Secondary Cities Water & Wastewater - Cairo Sewerage III - New Agricultural Sector Projects: <ul style="list-style-type: none"> o Water Resources Mgt. o Agr. Technology Improvement o Agr. Policy Reform (technical studies and PAAD design) <p style="margin-left: 40px;">ESTIMATED FY 92 SUB-TOTAL: \$1.0 MILLION</p> <p style="margin-left: 40px;">ESTIMATED LOP SUB-TOTAL: \$6.0 MILLION</p> | <p>January 1993</p> <p>October 1992</p> <p>January 1993 January 1993 September 1992</p> |
| <p>C) <u>EVALUATIONS/ASSESSMENTS/AUDITS:</u></p> <ul style="list-style-type: none"> - Non-Federal Audits - Host country contracting assessments, financial assessments - Impact evaluation of the public sector Commodity Import Program (CIP) <p style="margin-left: 40px;">ESTIMATED FY 92 SUB-TOTAL \$0.4 MILLION</p> <p style="margin-left: 40px;">ESTIMATED LOP SUB-TOTAL: \$2.5 MILLION</p> | <p>ALL FY 93</p> <p>ALL FY 93</p> <p>FY 93</p> |
| <p>D) <u>TECHNICAL ASSISTANCE:</u></p> <p>This component will finance ad hoc "implementation" activities expected to introduce innovative and effective approaches to developmental problems. Activities that improve the operations of grantee entities are included in this project element.</p> <ul style="list-style-type: none"> - TA to implementing agencies in accounting and financial management (includes FAST team) - Privatization bridge funding - Privatization Future Planning - Participant training integrated orientation, follow-up and evaluation (5 year program) <p style="margin-left: 40px;">ESTIMATED FY 92 SUB-TOTAL: \$2.5 MILLION</p> <p style="margin-left: 40px;">ESTIMATED LOP SUB-TOTAL : \$8.0 MILLION</p> | <p>ALL FY 93</p> <p>June - Dec 93</p> <p>FY 93</p> <p>Jan. 93 to 1998</p> |

| ACTIVITY | PLANNED START DATE |
|---|------------------------|
| | MONTH/YEAR |
| <p>E) <u>CONFERENCES, SEMINARS & WORKSHOPS/ INTERNATIONAL TRAVEL:</u></p> <p>This component funds the attendance and participation of Egyptians at off-shore conferences and seminars. Local currency costs of travel to U.S. and third countries related to participant training, invitational travel, observational tours, seminars, conferences, workshops will be from the FT800 Account.</p> <p>ESTIMATED FY 92 SUB-TOTAL: \$0.2 MILLION</p> <p>ESTIMATED LOP SUB-TOTAL: \$2.0 MILLION</p> | |
| <p>F) <u>ACTIVITIES THAT ACCELERATE THE IMPLEMENTATION OF THE AID PROGRAM IN EGYPT:</u></p> <p>This project element will include funding for PSC's to help USAID carry out increased portfolio implementation, monitoring and accountability responsibilities.</p> <ul style="list-style-type: none"> - U.S. PSC - Field Monitoring Advisor - Financial Markets and Institutions Advisor - Sector Policy Reform Manager - Evaluation Officer <p>ESTIMATED FY 92 SUB-TOTAL: \$ 0.3 MILLION</p> <p>ESTIMATED LOP SUB-TOTAL: \$ 3.0 MILLION</p> | |
| <p><u>II. PRIVATE VOLUNTARY ORGANIZATIONS:</u></p> <ul style="list-style-type: none"> - IESC - Other activities as yet unidentified <p>ESTIMATED FY 92 SUB-TOTAL: \$ 5.0 MILLION</p> <p>ESTIMATED LOP SUB-TOTAL: \$20.0 MILLION</p> <p>CONTINGENCY:</p> <p>ESTIMATED LOP SUB-TOTAL: \$ 2.0 MILLION</p> | <p>Nov 92 - Nov 94</p> |
| <p>TOTAL ALL</p> <p>FY 92 OBLIGATION: \$10.0 MILLION</p> <p>LIFE OF PROJECT: \$50.0 MILLION</p> | |

Under the on-going Project 0102, twelve feasibility, technical and sector studies were funded. These studies (funded at an approximate total cost of \$3.1 million), led to the investment of \$200 million in AID-funded activities. This new project is expected to finance approximately 22 feasibility, technical and sector studies.

2. Project/Program Design and Pre-Project Activities:

These activities assess whether a proposed project is worth pursuing and if so, perform preparatory work for project development. Pre-project activities include those required to test the viability of proposed investments.

Project 0102 has funded 15 design and pre-project activities, leading to the implementation of seven AID-funded projects at a total funding level of \$301 million.

Major design efforts under Project 0225 will focus on the next generation of agricultural sector projects. With the completion of the three major agriculture programs in FY 1994 (National Agricultural Research Project - NARP) and FY 1995 (Agricultural Production Credit - APC, and Irrigation Management Systems - IMS), the development and design of new follow-on programs with a more limited focus is expected to occur in FYs 1993 and 1994. Project funds will be needed for short-term U.S. and Egyptian consultants, studies, analyses and workshops to support the development of new projects in this sector.

In 1993, USAID also plans to initiate design work on a new project focusing on environmental policy and planning. Planned for a FY 1993 obligation, this project is expected to improve the GOE institutional capability in environmental planning and policy formulation. The project will support policy research, applied research on the economic and health costs of various pollutants, and operations research on mechanisms for protecting the environment. This component also may be used to finance design and technical studies for major infrastructure projects planned for possible AID or other donor funding.

3. Assessments/Evaluations/Audits:

Like its predecessors, this project will continue to finance sector and/or program assessments, evaluations and audits. Under Project 0102, 14 assessments, evaluations and audits were undertaken. There will be a minimal need for project-specific evaluations as the majority of on-going and new projects have or will have their own provision for evaluations and assessments. However, as the Mission's evaluation strategy begins to focus on generic issues that cut across projects and sectors, project funds will be used to finance activities in this area.

Sustainability, cost recovery, infrastructure operation and maintenance (O&M), training, management information systems (MIS) and the development of program indicators are illustrative of the new areas of focus for Mission evaluations that are expected to be funded under this project. The Mission will consider the feasibility of providing seed money from this project for an evaluation IQC; specific projects would buy-in for relevant evaluation services.

4. Technical Assistance:

This category will finance selected, ad hoc, TA activities in areas that are considered priority in USAID's country strategy and the GOE's development plan. The project will fund TA activities that contribute to institutional development, technological advancement, innovative change, and sustained long-term development. Project-funded technical assistance activities also will respond to the need for basic technical inputs to feasibility, policy and sectoral studies undertaken by Egyptian entities and/or the Mission, and may address specific needs to modernize technological practices in certain areas of the economy whose influence on economic activity is of major importance.

Project 0102 has financed 45 technical assistance activities. These have included "project-like" activities such as the Partnership in Development (privatization) program, the Cooperative Health Program (research and development activities in the health sector), and the establishment and operation of the U.S. Investment Promotion Office (USIPO) and the Institute of Accounting and Auditing.

The following activity is expected to be implemented under this sub-component:

Integrated Orientation, Follow-up and Evaluation Program for AID-Funded Participant Training: This proposed long-term tracking program will be comprehensive in scope; it is expected to follow-up on all participant trainees funded under the Egypt AID program. The ultimate goal of this activity is to enable Mission projects to better achieve their participant training objectives and to maximize their substantial investments in training. The activity will be designed and implemented in accordance with Handbook 10 requirements for participant training orientation, monitoring, follow-up and evaluation.

Although some projects have provided orientation and follow-up for participants, USAID/Cairo has traditionally been weak in consistently providing adequate pre-departure orientation and post-return follow-up services for participants and in evaluating the impact of participant training on project objectives and Egypt's human resource development. Project 0225 is expected to provide funding for the first five years of this activity. The

anticipated start date is January 1993. This Mission-wide participant training tracking program will be contracted out for implementation. The contract is expected to include core activities that will be funded by Project 0225, as well as other more project-specific activities to be financed through project buy-ins to the core contract. The Mission recently hired a consultant to assist in the development of the scope of work and cost estimates for this program. A Mission project team is charged with designing a practical and cost-effective program; the team will consider staff limitations and the self-sustainability of this proposed tracking system.

5. Conferences, Seminars and Workshops:

This sub-element will continue to finance the attendance and participation of Egyptian professionals from both the Government and private sector in a wide variety of off-shore conferences, seminars and workshops. These activities are expected to be both technical and policy-making in nature and impact. MIC has traditionally made heavy use of this element in previous TCFS projects in order to provide a much needed and appreciated opportunity for Egyptians in all kinds of professions to engage in professional exchange with their counterparts in the U.S. and elsewhere. Twenty nine such activities were funded by Project 0102.

Project 0225-funded conferences, seminars and workshops will usually adhere to the general objectives of the Mission strategy. With the addition of two new areas of focus - environment and improving the efficiency of public institutions - it is likely that the demand for Project 0225 funds will be higher than in previous TCFS projects. However, this sub-element, as well as the others, will retain a measure of flexibility to allow both USAID and Egypt to implement activities that do not directly conform with the strategy. Of all the project elements, this one in particular does not lend itself to a rigorous planning process, due to the nature of activities involved.

6. Activities that Accelerate the Implementation of the AID Program in Egypt:

Project Monitoring Support: This category will include, among other activities, monitoring services/systems for AID-funded projects and programs. In an effort to increase and improve Mission oversight over the management of projects, this component will finance long-term TA (Personal Services Contracts) to assist the Mission in carrying out its project implementation, monitoring and accountability responsibilities. Nine PSCs providing a wide array of services covering evaluation, host country contracting and financial markets were funded under Project 0102.

II. Private Voluntary Organization (PVO) Activities:

Project 0225 will continue to finance selected PVO activities. Project funding of PVOs will be a complementary arrangement to the on-going PVO Development Project (263-0220). Under Project 0102, a total of 12 PVO grants were funded, for approximately \$13 million and LE 29 million. Twenty-eight percent of Project 0102 funds were used to finance PVO activities. Project 0102-funded PVOs include HOPE, CARE, AMIDEAST, AALC, IESC, CRS and ACDI. Previously-funded PVO activities cover a broad range of sectors, ranging from health care, educational counseling, entrepreneurial enhancement, community-initiated development to agricultural development and judicial education.

The Mission's Country Program Strategy for FYs 1992 - 1996 identifies the major development goals of the GOE that USAID will support. Project-supported PVO activities should relate to USAID's strategic focus, and be an integral part of a consistent and coordinated utilization of resources to address Egypt's major development priorities. The chances of approval of PVO proposals under Project 0225 will increase corresponding to the priority of the development goal(s) (as identified by the Mission strategy) that they address.

At the most recent Mission Portfolio Review of PVO activities, it was noted that there is a need for a strategic framework within which PVO proposals would be developed and selected for AID financing. In order to address the proliferation of PVO activities under TCFS projects and the increasing accountability and managerial problems associated with this issue, the Mission has developed a new, coherent set of criteria to be applied to the development, review and selection of PVO proposals.

USAID will share its Strategy Statement with PVOs to ensure timely coordination by PVOs in the development and submission of their proposals for Mission funding. As part of the Mission environment strategy, PVOs seeking Project 0225 funding will be encouraged to submit proposals that address/help create environmental awareness programs.

In keeping with the new Mission strategy on PVO's, this project will **limit the number of PVO proposals considered for funding** so as to be consistent with Mission financial and management resources. The PVO community will be informed of USAID's resource constraints and other guidance affecting their activities under this project. New PVO activities to be funded under Project 0225 will be carefully selected according to the following criteria:

- The activity should be relevant to the Mission's overall strategy;
- Project-funded grants will be larger but fewer (less

- than 10);
- Well designed, large-scale proposals submitted by experienced PVOs will be considered. PVO activities over \$1 million will be considered for project funding; smaller activities (below \$1 million) will be submitted to the PVO development Project, 263-0220. Proposals will be encouraged to have smaller U.S. dollar to Egyptian pound ratios in their budgets;
 - Feasibility studies and other analyses required for the development of proposals for AID funding should be financed by the PVOs; and
 - Management burden implications for the relevant Mission technical directorate will be considered. Proposals will be encouraged only from PVOs with adequate management capabilities and a proven track record of implementation.

The review and approval of PVO proposals to be funded under Project 0225 will be through a process established within the Mission. Mission Order 1-5 on PVO activities contains more details on general procedures for reviewing and approving PVO activities as well as the appropriate funding mechanisms.

Given the increase in size (but reduction in number) of PVO activities expected to be financed under Project 0225, it is proposed that 40% of Project funds be allocated, or set-aside, for PVO activities. Of this \$50 million project, \$20 million will be allocated for PVOs. This proposed figure includes \$5 million for the International Executive Service Corps (IESC) program, which was initially designed by the Mission as a separate project but was rejected in that context by MIC and the Inter-Ministerial Committee. MIC requested that future support for IESC continue under the TCFS projects.

With the exception of the IESC program, this project component will not provide specific details on the type and nature of PVO activities that are expected to receive funding under the project; nor will it identify potential participating PVOs in project implementation. This is for a number of reasons. Firstly, it is not possible for the Mission to have advance information on the number and/or nature of future PVO proposals. The PVO community develops and submits these proposals for Mission and other source funding on a largely ad hoc basis. Accordingly, any specificity in advance planning for new PVO activities is not feasible.

Secondly, the identification - even illustratively - in this Project Paper of specific PVO activities that may be project-funded might be construed by the PVO community as an indication of commitment on the part of USAID to finance these activities. The Mission's general policy in this area is to review and approve/disapprove each PVO proposal on its own individual merit.

The one PVO activity that will be discussed here is the IESC program, for reasons provided above.

IESC: Project 0225 will continue financing this follow-on activity that was originally designed and authorized by the Mission as a discrete, stand-alone project. A Project Paper was prepared and approved in May 1991 (no. 263-0229). Since 1988, IESC has received financial support from USAID in the amount of \$5.3 million and LE 4.3 million under Project 0102 and the FT300 Account. Up to \$5 million from Project 0225 will be provided to support IESC for three to four years; USAID will grant IESC an initial \$2 million through a cooperative agreement in early FY 1993.

The purpose of the IESC activity is to enhance the competitiveness of the Egyptian private sector by improving business skills and the productivity of private enterprises through a program of volunteer American executives who contribute time and expertise through IESC to upgrade the capabilities of participating firms in Egypt. The technical assistance provided by IESC is short-term, and will cover industrial, technical and managerial areas in a wide variety of businesses.

D. Outputs and Indicators

1. Major Outputs:

It is anticipated that an approximate total of 165 activities will be implemented during the seven year life of this project. There are essentially two categories, or components of activities that will be project-financed. The following is an illustrative breakdown of these components:

- Approximately 22 feasibility, technical and sector studies.
- Approximately 20 assessments, evaluations and audits.
- Approximately 15 design and pre-project activities.
- Approximately 40 technical assistance activities.
- Approximately 45 conferences, seminars and workshops.
- Approximately 15 activities that accelerate the implementation of the AID program in Egypt, including those in support of portfolio implementation, monitoring and accountability.
- Approximately 8 PVO activities.

2. Impact:

The most immediate and direct beneficiaries of this project are the different Egyptian organizations that will collaborate with USAID in the implementation of project activities, whether they are feasibility studies, assessments or technical assistance. The AID Mission in Cairo also will directly benefit from the various studies, analyses, and design work that precedes the funding and implementation of projects and programs. Assessments and other project monitoring support activities will enable the Mission to gauge implementation progress in an accurate and timely fashion, resulting in more efficient management of the AID program in Egypt.

Indirect beneficiaries will be the recipients of specific technical assistance, PVO activities and/or feasibility studies that lead to new investments. Project 0225 will include a special focus on women's involvement in such activities.

II. COST ESTIMATES AND FINANCIAL PLAN

It is estimated that the project will require a total AID funding level of \$50 million and a total GOE cash contribution of approximately LE 100 million over a seven year period. The first year obligation, in Fiscal Year 1992, is expected to be in the amount of \$10 million. Combined AID and GOE contributions over the life-of-project will add to approximately \$80 million.

The LOP GOE contribution of LE 100 million will be in cash form, and will come from the Special Account AID Activity Trust Fund (FT800). This figure excludes cash and/or in-kind contributions from private and non-governmental entities involved in project-funded activities. It includes local currency costs related to project-funded activities, advisory services of Egyptian experts and consultants, non-federal audits and international travel costs of invitational travel and participant training for this and all other USAID projects.

The GOE cash contribution from the FT800 Account will be closely monitored through its joint programming by MIC and the Mission. USAID obtains FT800 Account funds, which are non-appropriated local currency, through annual amendments to the Special Account Memorandum of Understanding (MOU). The Mission submits replenishment requests to the MIC on an as needed basis. MIC reviews and approves these requests, and directs the Ministry of Finance to make the required transfers from the Central Bank to AID's account in the Commercial International Bank. USAID exercises the same project management and monitoring oversight over the FT800 Account as it does over U.S. dollar-appropriated projects.

The design and management of this follow-on project will focus on consolidation of project-funded activities, including reduced involvement with PVOs and a streamlining of the selection criteria of proposed activities with a view to their conformity to AID's and the GOE's developmental strategy. GOE contributions from the FT300 Account should be higher than in previous projects due to projected greater demands on the Account, as more activity costs are shifted to local currency financing in order to conserve scarce U.S. dollars, and rising international travel costs account for more FT800 funds.

A. Project Costs by Element

Table 2, below, presents estimated costs by project element. AID's budget will be divided among the project's two main components. The first component, including feasibility, technical and sector studies, design and pre-project activities, sector evaluations, assessments and audits, technical assistance activities, conferences, seminars and workshops, and other activities that accelerate the AID program in Egypt, will receive \$30 million. The second component, PVO activities, will be funded at \$20 million, which represents 40% of AID's contribution to the project. NOTE: PVOs receiving project grants generally will be required to contribute 25% of activity costs.

B. Project Costs by Project Year

The estimated allocation of costs over the life of the project is shown in Table 3, below.

C. Methods of Implementation and Financing

The methods of implementation and financing are all in accordance with the Agency's payment and verification guidelines. Obligation of project funds will be through a Grant Agreement signed jointly by USAID and MIC. The implementation methods proposed for this project are AID direct contract, host country contract, Operational Program Grant (OPG), cooperative agreement, PIL, Travel Authorization (TA) and buy-ins. Methods of payment include direct letters of commitment, AID direct payment and direct reimbursement. Table 4 shows the principal methods of payment proposed for this project.

Unlike its predecessor TCFS projects, this project will be authorized to fund both foreign exchange and local currency costs. The ability to convert appropriated dollars into local currency when necessary will give much needed flexibility to the project to meet its different financing needs. This is especially important in the event of a depletion of FT800 Account funds. Until those funds are

ESTIMATED COST BY PROJECT ELEMENT
PROJECT 263-0225
TECHNICAL COOPERATION AND FEASIBILITY STUDIES II

TABLE 2

| Project Elements | Dollars | | Total Costs | Egyptian Pounds GOE LOP Contribution |
|---|------------------------|-----------------|---------------|--|
| | FY 1992 Obligations | Future Years | | |
| I. | | | | |
| Feasibility, Technical and Sector Studies | 600 | 5,900 | 6,500 | 4,000 |
| Project/Program Design and Pre-Project Activities | 1,000 | 5,000 | 6,000 | 4,000 |
| - Assessments, Evaluations and Audits | 400 | 2,100 | 2,500 | 10,000 |
| Technical Assistance | 2,500 | 5,500 | 8,000 | 9,000 |
| - Conferences, Seminars and Workshops | 200 | 1,800 | 2,000 | 25,000 |
| - Activities that Accelerate Implementation of AID Program in Egypt | 300 | 2,700 | 3,000 | 3,000 |
| SUB-TOTAL | 5,000 | 23,000 | 28,000 | 55,000 |
| II. | | | | |
| - Private Voluntary Organizations (Other) | 3,000 | 12,000 | 15,000 | 35,000 |
| - International Executive Service Corps (IESC) | 2,000 | 3,000 | 5,000 | 10,000 |
| SUB-TOTAL | 5,000 | 15,000 | 20,000 | 45,000 |
| Contingency | 0 | 2,000 | 2,000 | |
| TOTAL | 10,000 | 40,000 | 50,000 | 100,000 |

129

TABLE 3

**PROJECT 263-0225
TECHNICAL COOPERATION & FEASIBILITY STUDIES II**

**PLANNED USAID YEARLY OBLIGATIONS AND EXPENDITURES
(\$000)**

| | Fiscal Years | | | | | | | | Total |
|---------------------------------|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 | FY 99 | |
| Life of Project Funding | | | | | | | | | 50,000 |
| Planned FY Obligations | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 0 | 0 | 0 | 50,000 |
| Planned Cumulative Obligations | 10,000 | 20,000 | 30,000 | 40,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Planned FY Expenditures | 0 | 1,000 | 3,000 | 7,000 | 9,000 | 9,000 | 10,000 | 11,000 | 50,000 |
| Planned Cumulative Expenditures | 0 | 1,000 | 4,000 | 11,000 | 20,000 | 29,000 | 39,000 | 50,000 | 50,000 |
| Projected End of FY Mortgage | 40,000 | 30,000 | 20,000 | 10,000 | 0 | 0 | 0 | 0 | 0 |
| Mortgage/LOP | 80.00% | 60.00% | 40.00% | 20.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Projected Pipeline | 10,000 | 19,000 | 26,000 | 29,000 | 30,000 | 21,000 | 11,000 | 0 | 0 |
| Pipeline/Cumulative Obligation | 100.00% | 95.00% | 86.67% | 72.50% | 60.00% | 42.00% | 22.00% | 0.00% | 0.00% |

dy

TABLE 4

**METHODS OF IMPLEMENTATION AND FINANCING
PROJECT 263-0225
TECHNICAL COOPERATION AND FEASIBILITY STUDIES II**

| Project Elements | Methods of Implementation | Methods of Financing | AID LOP Funding (\$000) |
|---|--|---|-------------------------|
| I. Feasibility, Technical and Sector Studies, Project/ Program Design and Pre-Project Activities, Technical Assistance, Assessments, Evaluations and Audits, Conferences, Seminars and Workshops, and Activities that Accelerate Implementation of AID Program | AID Direct Contracts, Host Country Contracts, PILs, Travel Authorizations, and Buy-ins | Direct letters of Commitment, AID Direct Payment and Direct Reimbursement | 30,000 |
| II. Private Voluntary Organizations | Operational Program Grants, Cooperative Agreements, and PILs | AID Direct Payment, and FR/TFC'S LOC * | 20,000 |
| PROJECT TOTAL | | | 50,000 |

* Federal Reserve/Treasury Financial Communication System Letter of Credit

21

replenished - a process which tends to take time - it is critical that project dollars can be converted to finance LE costs in order to continue the implementation of on-going activities. The FT300 Account will continue to be the major source of funding for local currency costs.

D. Audits

During the life of this project, non-federal/recipient audits will be performed to determine whether the recipients have properly accounted for and used AID funds for the purposes intended in accordance with applicable laws and regulations. USAID will ensure that all commitments over \$25,000 under this project are in the Mission's audit universe.

The Mission will schedule audits for those commitments over \$25,000 and ensure that funds are available for audits (see budget line item in Tables 1 and 2) in accordance with AID/W guidance dated March 31, 1992 on Audit Management and Resolution Program. Not all of the planned commitments over \$25,000 under this project will require non-federal/recipient audits because of the nature of the activity (i.e., PSCs, NFAs). The Regional Inspector-General for Audit will perform quality and compliance reviews of non-federal/recipient audits under this project and provide or arrange for additional audit coverage requested by USAID, if deemed necessary.

E. Recurrent Costs

Certain activities under this project may have recurrent cost issues (i.e., technical assistance and PVO activities). The Mission will review the recurrent cost implication of these activities to ensure sustainability before the activity is approved by USAID. Most of the planned activities in the first component of the project (feasibility/technical studies, project design, assessments and conferences, etc) do not have recurrent cost implications.

III. IMPLEMENTATION PLAN

This project builds on the foundation put in place under previous TCFS projects. The project will provide an important service to Egypt and to the Mission, and has the support of the GOE counterpart involved in its overall management and monitoring. The Mission has adequate human and financial resources to implement and monitor this project.

A. Role and Responsibilities of GOE Agencies

The Ministry of International Cooperation (MIC) will continue to be the primary GOE counterpart for this project. MIC will

be responsible for presenting this project to the GOE Inter-Ministerial Committee and the People's Assembly for approval and ratification. MIC will sign the Project Grant Agreement on behalf of the GOE with USAID. From the GOE side, MIC has the responsibility of overall project management; this includes monitoring the different project-funded activities and tracking project obligations and expenditures. MIC will act as a liaison between USAID and other GOE and private sector implementing agencies that seek project funding for their activities. Given the nature of this project, several implementing agencies, both public and private, and PVO grantees will be involved in project implementation.

If a project-funded activity is initiated by the Mission, the role of MIC will be to review the activity proposal, and provide a no-objection letter to USAID within two working weeks of receiving the proposal. Grounds for MIC objection are contained in Project 0102 PIL no. 18, dated September 1988. This system does not apply to PVO activities. A letter informing MIC of USAID's intent to use project funds is prepared and sent. The letter should include a description of the proposed activity, its relationship to GOE and USAID priorities and interests, and its estimated cost and duration. Such letters are drafted by the technical initiating office, cleared by PDS/P (and PDS/PS if project design work is involved), and signed by the Associate Director for Program Development and Support (PDS).

In order to facilitate and expedite MIC's review process, the Mission will share the project annual implementation plan with MIC, and will explore with MIC the practicability of developing a system whereby advance mutual concurrence for planned activities can be reached through an exchange of letters on a quarterly basis. This proposed system might be particularly useful in cases when it is possible to identify specific activities in advance, with a reasonable degree of regularity. For example, as the Mission identifies its design requirements for new projects in the Monthly Project Design Status Report, pertinent information can be transmitted to MIC on a quarterly basis to obtain advance concurrence (non-objection) to planned feasibility/design/assessment activities that are needed for project development.

MIC may initiate activity proposals for project funding. Upon receipt of MIC's request for project funding, USAID will review and approve/disapprove funding for the proposed activity. PDS/P will determine the appropriate Mission technical office to review, concur with and manage the activity proposed by MIC (normally on behalf of a technical implementing agency), if it conforms to Project 0225 funding and implementation criteria. MIC may also wish to consider the submission to USAID of quarterly requests for proposed

activities based on input from different Egyptian technical implementing entities.

B. Management and Administrative Arrangements

1. Project Management and Monitoring:

AID's role in project implementation is to provide overall management of the project, measure and evaluate the project's progress to assure that the goal and purpose of the project are being effectively achieved, and that the assumptions underlying the selection and financing of activities remain valid. The USAID Program Office (PDS/P) is responsible for overall project management and oversight. A PDS/P Project Officer, assisted by two part-time Project Management Assistants, will be responsible for coordinating all USAID actions necessary to carry out project implementation.

PDS/P also will be responsible for negotiating overall project funding levels with MIC, as well as individual project-funded activities. PDS/P will act as a central liaison, or coordinator, between MIC and the different Mission technical offices on the negotiation, approval and implementation of project-funded activities.

The PDS/P Project Officer will be responsible for advising the GOE and private sector entities on AID regulations, criteria and procedures relating to the implementation of the project. The Project Officer also will work with the Mission Evaluation Officer and the technical implementing office in selecting project-funded activities for evaluations or assessments as appropriate. PDS/P is responsible for evaluating the project as a whole.

PDS/P has effectively managed all predecessor TCFS projects over the last fifteen years. A January 1989 audit of Project 0102 found that project-funded activities were consistent with project purpose and objectives. PDS/P has the capability to carry out project management responsibilities as well as the requisite monitoring functions. No additional staff will be required.

HRDC/ET/PVO, in conjunction with other Mission technical offices as warranted, is directly responsible for the management and implementation of the PVO component of the project. Mission technical offices and project managers involved in the various sub-activities will assume responsibility for the day-to-day implementation and monitoring of activities they initiate. The Project Review Committee (PRC) will review project progress on an annual basis, will review and approve the annual project implementation and financial plans, and will be available to

solve project implementation problems.

In keeping with the Mission's policy of seeking to reduce the degree of vulnerability and accountability associated with funding a large number of diverse activities, the project will limit the number of management-intensive activities such as PVOs and long-term technical assistance. In addition, activities falling outside of the Mission's country strategy, GOE development plan and/or that have low payoff generally will not be considered for project funding. However, due to other considerations, there may be instances where ad hoc activities not directly related to the Mission strategy are financed by the project.

C. Procurement Plan

Commodities: Commodities and/or equipment procured under the project normally will be in support of technical assistance and PVO activities. The procurement of commodities and equipment under Project 0225 should be kept to a minimum. Examples of these commodities may include computers, laboratory equipment, vehicles, and office materials and supplies. The design of these individual activities will include a procurement plan for commodities/equipment required for their implementation. Based on input from the relevant Mission implementing offices, the Program Office will prepare an annual vehicle procurement plan.

Small Business and Minority Firms: The Mission will take Gray Amendment considerations fully into account in the procurement of services under this project. Mission technical directorates that use project funds will be required to make every reasonable effort to identify, to the maximum practicable extent, 8(a) certified firms and/or Gray Amendment entities to carry out feasibility and technical studies, project design work, sector assessments and evaluations, technical assistance activities or any of the other activities identified as major project outputs. In addition, the Project Officer, technical activity managers and the Evaluation Officer will explore possibilities to involve Gray Amendment firms in project-level and/or activity-level evaluations.

D. "Buy America" Considerations

The majority of project funds will be used to finance foreign exchange costs. However, there may be instances where U.S. dollars will be used for local source procurement. Under AID's new "Buy America" policy, local source procurement for new projects generally must fall within one of several categories which are excluded from the "Buy America" requirement, or else must meet one or more of the waiver criteria in Section 5B4a of Handbook 1B. It will be

25

determined during project implementation whether local procurement/expenditures is justified. If necessary, a waiver will be sought.

E. Implementation Schedule

The implementation schedule that follows has been developed as an illustrative guide to the sequencing of project-related activities. In accordance with guidance provided by the Mission Executive Committee during the review and approval of the 0225 PID, PDS/P intends to institute a more rigorous planning process which clearly relates proposed activities to the Mission strategy. However, given the nature and goal of this project, there needs to be sufficient flexibility to allow the project to adapt to changing needs and to address ad hoc requirements.

| <u>Event</u> | <u>Responsible Party</u> | <u>Month/Year</u> |
|---------------------------------|-----------------------------------|-------------------|
| 1. Congressional Notification | USAID | August 1992 |
| 2. Project Paper Approval | USAID | August 1992 |
| 3. Negotiation of PP with MIC | USAID | August 1992 |
| 4. Draft Grant Agreement to MIC | USAID | August 1992 |
| 5. Grant Agreement Signed | USAID/ MIC | September 92 |
| 6. Start of activities | USAID/ MIC/implementing entity | October 1992 |
| 7. Interim evaluation | USAID | December 1995 |
| 8. Final FY obligation | USAID | Summer 1996 |
| 9. Final evaluation | USAID/ MIC | June 1999 |
| 10. PACD | USAID | September 99 |

IV. MONITORING AND EVALUATION PLAN

Within USAID, overall monitoring and evaluation responsibilities for the project rest with the Program Office. However, because of the varied and unrelated nature of project-funded activities, a traditional, comprehensive evaluation of this project is likely to be unwieldy and impractical. The size and nature of different project activities call for multiple approaches to project evaluation. To simplify this issue and to fulfill Mission evaluation requirements, discrete activities will be individually evaluated, if and when appropriate.

As warranted, specific studies, assessments, audits, etc. will be reviewed individually by the responsible technical office. On the other hand, complex, long-term activities

such as technical assistance and PVOs will integrate evaluations into their specific design and implementation. In addition, the project itself will be reviewed by Mission management at annual portfolio reviews, and in joint reviews with MIC.

Feasibility and technical studies, design work, assessments, audits, conferences and workshops are to be reviewed individually by the responsible technical office. The review/evaluation of each piece of work or activity should be explicitly stated in the technical office's original agreement. The technical office's supervision and acceptance of project-funded studies and activities should be conducted as outlined in the initial terms of reference or scope of work. The office and/or offices who commission and supervise these activities should monitor and evaluate them until their final delivery to, and acceptance by, the Mission.

Other, more complex, long-term activities financed under the Project will have more formalized evaluations as defined in the original design documents. These evaluations will measure progress in meeting activity objectives as well as impact. For instance, a PVO activity would have the timing and methodology of its monitoring and evaluation articulated in its relevant documents. The office responsible for implementing the activity would ensure that its monitoring and evaluation were conducted as originally prescribed. The nature of these long-term activities and their implementation costs warrant a more formal evaluation approach.

The Mission will review the project annually in the context of its portfolio review, dealing with implementation issues as appropriate. Regular meetings with MIC counterparts also will be an integral part of the evaluation process. Project monitoring will provide basic indicators to project implementation and management, and will ensure conformity with the logical framework.

In addition, USAID will evaluate the Project as a whole to ensure that it is being managed effectively and is accomplishing its stated purpose and objectives. Two project-level evaluations (mid-course and final) will examine the overall impact of the project, its effectiveness as a mechanism for providing assistance, and project management/monitoring implications. Among other things, the evaluations also may assess the PVO funding mechanism, the participation of women in PVO and technical assistance activities, and project-funded activities related to new Mission initiatives.

V. SUMMARIES OF ANALYSES

A. Technical Analysis

The project as currently designed and proposed is sound, in view of the success of a long line of previous TCFS projects funded by the Mission. A January 1989 audit of Project 0102, Technical Cooperation and Feasibility Studies, stated that the majority of project-funded activities were successful, well managed, and had a positive impact on their beneficiaries.

To produce the projected outputs, this project will build upon past achievements of predecessor TCFS projects, all of which have produced similar outputs. However, this project will focus on funding activities that are directly related to the Mission country strategy. Also, project-funded activities will be consolidated and less pervasive than in prior TCFS projects. Management-intensive activities such as PVOs and long-term, large-scale technical assistance will be carefully reviewed before funding is approved. Peripheral activities with low pay-off will be discouraged.

B. Social Soundness and Women in Development Analysis

The socio-cultural and political environment in which this project will be implemented is one that is dominated by economic reform and the GOE's concern with balancing the transition to a market economy with the social well-being of Egyptian citizens. The project's initiation coincides with the start of the GOE's third Five Year Development Plan. Project-supported studies and analyses will continue to assist the GOE in determining and allocating economic development assistance to the highest priority areas, as well as support the private sector in its investment decisions and technological advancement.

As with other previous TCFS projects, Project 0225 is expected to have a direct and indirect impact on Egyptian society. The project's immediate beneficiaries include Egyptian governmental and private sector organizations that will be directly involved in the implementation of feasibility and technical studies, design work, and evaluations and assessments. Working collaboratively with local and expatriate consultants and experts, these entities are expected to acquire new, or improve existing capability to undertake the necessary investigative and evaluative work that precedes sound investment decisions.

The indirect, or long-term impact that is likely to accrue will be in the form of specific investments that are made as a result of the studies and analyses funded by the project. Also, selected technical assistance activities that succeed in demonstrating the viability of a certain developmental approach or technology are likely to be replicated on a larger scale throughout the economy.

Technical assistance and PVO activities proposed for project funding

756

Technical assistance and PVO activities proposed for project funding will have their own social soundness and WID analyses as an integral part of the proposal. The GOE and USAID have agreed that PVOs are an effective means in assisting community development, due to their ability to introduce new techniques and to reach the grass-roots level. PVO activities under Project 0225 are generally expected to benefit poor and disadvantaged groups, as well as specific sectors of activity, such as the private sector and the environment.

C. Institutional and Administrative Analysis

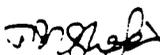
This analysis reviews the characteristics and administrative capability of the Ministry of International Cooperation (MIC), as the primary GOE counterpart for this project. There will be other implementing agencies directly involved with project-funded activities, but given the nature of this project, they are not known at this time.

MIC is the Egyptian Government authority that is responsible for initiating, coordinating and managing the economic assistance programs provided to Egypt by a variety of foreign donors. In this capacity, the Ministry handles all international loans, grants and assistance donations provided to the Egyptian society by foreign governments and funding organizations. Because of its unique role within the GOE, MIC also is responsible for reviewing the implementation of projects that receive donor grants and loans to ensure that they are complying with stated objectives. Moreover, MIC plays a key role in liaising and matching proposed local investment projects with foreign sources of funds.

The Department of Economic Cooperation with the United States is charged with the negotiation, management and monitoring of the AID Economic Assistance Program in Egypt. The Administrator of the Department, who has the rank of First Under-secretary, is the GOE counterpart for Project 0225. This department's mandate is to oversee the entire AID/Egypt portfolio.

VI. CONDITIONS PRECEDENT AND COVENANTS

There are no special CPs or covenants that affect the design of this project. Standard "boiler-plate" covenants relating to taxation and import duties will be included in the Project Grant Agreement.


Drafted: MEIshafei, PDS/P. June and July 1992. Revised: 8/4/92. With input from other Mission offices.

VII. ANNEXES



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ANNEX 1

January 15, 1992

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR, BUREAU
FOR NEAR EAST

FROM: Satish Shah, NE/DR ~~AS~~

SUBJECT: Technical Cooperation and Feasibility Studies II (TCFS)
(263-0255)

PROBLEM: USAID/CAIRO requests delegation of authority from AID/W to approve an abbreviated PID (prepared in accordance with guidance in HB3, Section 28), for subject project. There are no policy issues requiring AID/W resolution. The project paper is expected to be ready for Mission review and approval by February 1992.

- Project Title: Technical Cooperation and Feasibility Studies II
- Project Number: 263-0255
- Project Funding: FY 1992 - 98 million
- LOP funding: 950 million
- Estimated Final Obligation: FY 1997
- Estimated Completion Date: FY 1999
- Appropriation Account: ESP

Project Goal and Purpose: The goal of the project is to assist the GOE to make appropriate investment decisions to meet its developmental needs. The project purpose is to enable the GOE to identify, develop, evaluate, test and execute priority development activities.

Project Description: The project will finance feasibility and technical studies that identify and provide the basis for development projects for possible AID and/or other donor funding. The project also will finance analyses required for the formulation of sector strategies and the provision of sector grants. In addition, project 0229 will continue to finance design and pre-project activities, sector assessments and evaluations, technical assistance, private voluntary organization (PVO) activities, and other activities that accelerate implementation of the A.I.D. program in Egypt.

Relationship with Agency Priorities and Mission CDS: This project is a follow-on to the on-going TCPS project (263-0102), authorized at \$50 million and obligated for \$45 million. Project 0102 will have a LOP duration of eleven years by its PACD of August 8, 1994. Like its predecessor, this project addresses a critical need by both the Mission and the GOS to finance feasibility studies, design work, and sector assessments that constitute an important input in the design and implementation of the U.S. economic assistance program in Egypt. It is also expected to assist PVOS until a separate funding mechanism becomes operational.

Host Country Contribution: The host country contributions to this project will continue to be provided through the AID Activity Trust Account (FT800). These funds will finance the local currency costs of Egyptian advisors and consultants, technical assistance, and PVO activities. In addition, the FT800 account is used to finance the international travel costs of Egyptians attending seminars, conferences and workshops in the U.S., as well as travel expenses of participant trainees.

Target Group: The project will have direct and indirect beneficiaries. The direct target groups will be the different government and private sector agencies that cooperate with AID in the implementation of project activities whether through feasibility studies, assessments or technical assistance. Indirect beneficiaries will be the recipients of specific technical assistance, PVO activities and/or feasibility studies that lead to new investments.

An audit of the on-going project in January 1989, found that activities were consistent with project objectives. The audit also found that, with a few minor exceptions (already redressed) the implementation procedures used to manage the project were adequate. Although project 0102 has not been evaluated to date, specific project-funded PVO and TA activities have their own evaluation plans, and a number of them have been evaluated.

The purpose, objectives and description of the new project remain the same as those relating to project 0102. The draft PID, however, identifies a number of design and programmatic issues that will be further analysed during the design of the project paper. The major issues identified include the following:

- financing "project-like" activities: Should project 0225 continue to finance ad hoc "project like" activities as did its predecessor? These activities include financing private sector organization where

funding of projects with their own identity was initially impractical.

- Financing PVO activities: In the past, the Mission's TCPS projects have been the primary source of funding for U.S. PVOs implementing developmental activities. In 1991, the Mission obligated a PVO development (PILOT) project with a funding level of \$9 million. At what point should this PVO project become the sole source of funding for PVOs? Should project 0225 continue to provide funds for PVO activities?
- Instituting unilateral authority: Under project 0102, the Mission had unilateral authority to approve a portion of project funds without prior concurrence from the counterpart agency. The Mission will explore the feasibility of obtaining similar authority under the follow-on project.

The Congressional Presentation (CP) for FY 1992 includes a planned program summary sheet for this Project at a proposed LOP funding level of \$30 million. USAID/Egypt plans to increase funding to \$50 million. Another congressional notification will therefore be required and will be submitted to AID/W by the Mission. The Mission expects to obligate the initial funds for this project during the third quarter of FY 1992.

RECOMMENDATION: In accordance with the overall redelegation of authority already accorded to the Mission, USAID/CAIRO requests that AID/W redelegate to the field the authority to approve the PID for the Technical Cooperation and Feasibility Studies II Project up to a level of \$50 million.

Approved: [Signature]

Disapproved: _____

Date: 1/16/91

Drafted by USAID/Egypt (Cairo 22420)

Clearances:

| | | | |
|---------------------|--------------------|------|-----------------|
| NE/DR/PD, HPatrick | <u>[Signature]</u> | Date | <u>1/14/92</u> |
| NE/DR/PD, PMatheson | <u>DRAFT</u> | Date | <u>01/08/92</u> |
| NE/ENA, CCoulter | <u>DRAFT</u> | Date | <u>01/10/92</u> |
| NE/DR, JFlynn | <u>[Signature]</u> | Date | <u>1/15/92</u> |
| NE/DP, VHoldren | <u>DRAFT</u> | Date | <u>01/15/92</u> |
| NE/OC, KO'Donnell | <u>DRAFT</u> | Date | <u>01/19/92</u> |

PROJECT 0225 LOGICAL FRAMEWORK

ANNEX 2

| NARRATIVE | VERIFIABLE MEASURES OF ACHIEVEMENTS | MEANS OF VERIFICATION | ASSUMPTIONS |
|---|--|--|---|
| <p>Project Goal</p> <p>To enable USAID and Egypt to make appropriate investment decisions to meet critical development needs in Egypt.</p> | <p>Sustained Egyptian economic growth and reform</p> | <p>PRISM, IMF reports World Bank reports, GCE statistics</p> | <p>Continuation of economic reform and USAID program in Egypt.</p> |
| <p>Project Purpose</p> <p>To assist USAID and Egypt to identify, develop, execute, monitor & evaluate priority development activities.</p> | <p>At least 5 projects designed and implemented</p> <p>Development decisions conform to USAID Strategy and Egypt development plans</p> | <p>PRISM Evaluation Recommendation Follow-up Project papers, reports, etc</p> | <p>GOE and USAID act upon results of studies, assessments, evaluations, design work</p> |
| <p>Project Outputs</p> <ul style="list-style-type: none"> • Feasibility, Technical, and Sector Studies • Assessments Evaluations, Audits • Project Design Activities • Conferences, Seminars, Workshops • Technical Assistance Activities • Project Monitoring & Support • PVO Activities | <p>22 Feasibility Studies, sector assessments 20 Evaluations/audits</p> <p>15 Project design activities 45 Conferences/workshop etc.</p> <p>40 TA activities</p> <p>15 Project Monitoring & Support 8 PVO activities</p> | <p>Reports, studies, evaluations, assessments Quarterly Reports, Project Reports, etc.</p> | <p>Timely USAID, GOE concurrence Participation/Involvement of implementing agencies</p> |
| <p>Project Inputs</p> <p>USAID, GOE funding</p> <p>Technical Assistance</p> | <p>\$ 50 million USAID LOP funding \$ 30 million GOE funding (in local currency)</p> <p>py. long term TA pm. short term TA</p> | <p>USAID obligations GOE replenishment of FT 800 Account</p> | <p>Project approval by US government & GOE</p> |

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5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

N.B.: Part B has been omitted because it is inapplicable to this ESF-funded project.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?

Yes, the Country Checklist is contained in the Project Paper for the International Executive Service Corps Project (No. 263-0229).

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA § 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, 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.

(a) The project purpose is to assist Egypt and USAID to identify, develop, execute, monitor and evaluate priority development activities. One of the planned project design activities to be undertaken under this project is development of the trade and investment promotion program that will serve as the basis of the design work for the Direct Foreign Investment Promotion Project. This should serve to increase the flow of international trade. (b) Assistance in the design of the Capital Markets Project is also anticipated to be provided under this

project which will assist in fostering private initiative and competition. (c) No perceptible impact. (d) As the project will assist in efforts to support the increase of the size and effectiveness of the private sector in Egypt, this should result in discouraging monopolistic governmental practices. (e) Among other activities, the project is expected to support the International Executive Service Corp which assists Egyptian private sector businesses to become more technically efficient. (f) No perceptible impact.

2. U.S. Private Trade and Investment (FAA § 601(b)):
Information and conclusions on how assistance 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).

The project will finance a significant amount of technical assistance from U.S. private sector sources.

3. Congressional Notification

(a) **General requirement** (FY 1991 Appropriations Act § 523 and 591; FAA § 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Congress has been notified in accordance with regular Agency practice.

(b) **Notice of new account obligation** (FY 1991 Appropriations Act § 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A.

(c) **Cash transfers and nonproject sector assistance** (FY 1991 Appropriations Act § 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A.

4. **Engineering and Financial Plans** (FAA § 611(a)): Prior to an obligation in excess of \$500,000, 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?

Yes. Required plans and cost estimates have been prepared at the Project Paper stage.

5. **Legislative Action** (FAA § 611(a)(2)): If legislative action is required within recipient country, with respect to an obligation in excess of \$500,000, what is the basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

The only legislative action required is customary ratification of the grant agreement by the People's Assembly. This has been obtained without difficulty in the past.

6. **Water Resources** (FAA § 611(b); FY 1991 Appropriations Act § 501): If project is for water or water-related land resource

N/A.

construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act § 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A.

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

N/A.

9. **Local Currencies**

(a) **Recipient Contributions** (FAA § 612(b), 636(h)): 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.

The GOE contribution will be made from the GOE-owned Special Account, which is jointly programmed by the GOE and AID. U.S.-owned Egyptian currency is not available specifically for this Project.

(b) **U.S.-Owned Currency** (FAA § 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

Egypt is not at present declared an "excess" or "near excess" currency country.

(c) **Separate Account** (FY 1991

There will be no local

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Appropriations Act § 575): If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

currency generations within the meaning of § 575.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A.

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (Depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

N/A.

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purpose?

N/A.

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

N/A.

10. Trade Restrictions

(a) **Surplus Commodities** (FY 1991 Appropriations Act § 521(a)): If assistance is for the production of any commodity for export, is the

Any activities planned for implementation under this project will be scrutinized prior to

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?

initiation to insure that they will not have a negative impact on U.S. producers of competing commodities. If the potential for negative impact exists, such activities will not be implemented.

(b) **Textiles (Lautenberg Amendment)** (FY 1991 Appropriations Act § 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No.

11. **Tropical Forests** (FY 1991 Appropriations Act § 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No.

12. **PVO Assistance**

(a) **Auditing and registration** (FY 1991 Appropriations Act § 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of

Assistance will only be provided to those PVO which are registered with A.I.D. and have complied with requests for audit related information in a timely manner.

A.I.D., and is the PVO registered with A.I.D.?

(b) **Funding sources** (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

Yes.

13. **Project Agreement Documentation** (State Authorization § 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Case-Zablocki Act reporting procedures will be followed with respect to this project.

14. **Women in Development** (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes. Technical assistance and PVO activities proposed for funding from this project will consider WID issues and conduct WID analyses in the related proposals.

15. **Regional and Multilateral Assistance** (FAA § 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No.

16. **Abortions** (FY 1991

Appropriations Act, Title II, under heading "Population, DA," and § 525):

(a) Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No.

(b) Will any funds be used to lobby for abortion?

No.

17. **Cooperatives** (FAA § 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

No.

18. **U.S.-Owned Foreign Currencies**

(a) **Use of currencies** (FAA §§ 612(b), 636(h)); FY 1991 Appropriations Act §§ 507, the 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

U.S.-owned Egyptian currency is not available specifically for this Project.

(b) **Release of currencies** (FAA § 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

Egypt is not at present declared an "excess" or "near excess" currency country.

19. **Procurement**

(a) **Small business** (FAA § 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes, when technical assistance is provided under this project, the use of small businesses will be considered as a viable way of providing such assistance.

(b) **U.S. procurement** (FAA §

Yes. Procurement will be

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604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

from the U.S. and Egypt.

(c) **Marine insurance** (FAA § 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?

Egypt does not so discriminate.

(d) **Non-U.S. agricultural procurement** (FAA § 604(e)): If non-U.S. procurement of agricultural commodity or product thereof 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.

(e) **Construction or engineering services** (FAA § 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

N/A.

(f) **Cargo preference shipping** (FAA § 603)): Is the shipping excluded from compliance with the requirement in § 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities

No. 50/50 shipping rules will apply to this project.

(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?

(g) **Technical assistance** (FAA § 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise to the extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes, to both questions.

(h) **U.S. air carriers** (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 services is available?

Yes.

(i) **Termination for convenience of U.S. Government** (FY 1991 Appropriations Act § 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.

(j) **Consulting services** (FY 1991 Appropriations Act § 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes.

(k) **Metric conversion** (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 § 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements grants and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes.

20. **Competitive Selection Procedures** (FAA § 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

21. **Construction**

(a) **Capital project** (FAA § 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A.

(b) **Construction contract** (FAA § 611(c)): If contracts for construction are to be financed will they be let on a competitive basis to maximum extent

N/A.

53

practicable?

(c) **Large projects**, Congressional approval (FAA § 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 Congressional Presentation), or does assistance have the express approval of Congress? N/A.

22. **U.S. Audit Rights** (FAA § 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.

23. **Communist Assistance** (FAA § 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.

24. **Narcotics**

(a) **Cash reimbursements** (FAA § 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? N/A.

(b) **Assistance to narcotics traffickers** (FAA § 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other

controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, and such controlled substance?

25. **Expropriation and Land Reform** (FAA § 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? **Yes.**
26. **Police and Prisons** (FAA § 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? **Yes.**
27. **CIA Activities** (FAA § 662): Will assistance preclude use of financing for CIA activities? **Yes.**
28. **Motor Vehicles** (FAA § 636(i)): Will assistance preclude use of financing 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.**
29. **Military Personnel** (FY 1991 Appropriations Act § 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? **Yes.**
30. **Payment of U.N. Assessments** (FY 1991 Appropriations Act § 505): Will assistance preclude use of financing to pay U.N. assessments, arrearage or dues? **Yes.**

31. **Multilateral Organization Lending** (FY 1991 Appropriations Act § 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? **Yes.**
32. **Export of Nuclear Resources** (FY 1991 Appropriations Act § 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? **Yes.**
33. **Repression of Population** (FY 1991 Appropriations Act § 511): Will assistance preclude use of financing 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? **Yes.**
34. **Publicity or Propaganda** (FY 1991 Appropriations Act § 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? **No.**
35. **Marine Insurance** (FY 1991 Appropriations Act § 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? **Yes.**
36. **Exchange for Prohibited**

58

Act (FY 1991 Appropriations Act § 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employees, expressly prohibited by a provision of United States law? No.

N.B.: PART B OF THE ASSISTANCE CHECKLIST, WHICH IS APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY, HAS BEEN OMITTED BECAUSE IT IS INAPPLICABLE TO THIS ESF-FUNDED PROJECT.

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. **Economic and Political Stability (FAA § 531(a)):** Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? Yes, to both questions.

2. **Military Purposes (FAA § 531(e)):** Will this assistance be used for military or paramilitary purposes? No.

3. **Commodity Grants/Separate Accounts (FAA § 609):** If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act § 575(a). See § 575(a)(5).) N/A.

4. **Generation and Use of** N/A.

Local Currencies (FAA § 531(d)):
Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act § 575(a). See § 575(a)(5).)

5. Cash Transfer Requirements
(FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and § 575(b)): If assistance is in the form of a cash transfer:

(a) **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? N/A.

(b) **Local currencies:** Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements? N/A.

(c) **U.S. Government use of local currencies:** Will all such local currencies also be used in accordance with FAA § 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of N/A.

the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?

(d) Congressional notice: Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate the economic policy reforms that will be promoted by the cash transfer assistance? N.A.

.66.

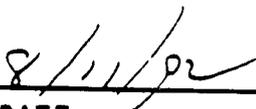
TECHNICAL COOPERATION AND FEASIBILITY STUDIES II
PROJECT 263-0225

CERTIFICATION PURSUANT TO
GRAY AMENDMENT

As Director and Principal Officer of the Agency for International Development in Egypt, I certify that full consideration has been given to the potential involvement of small and/or economically and socially disadvantaged enterprises, historically black colleges and universities and minority controlled private and voluntary organizations covered by the Gray Amendment.

The attached Project Paper discusses the efforts that will be undertaken in connection with the procurement plan to maximize the participation of minority owned and small and disadvantaged organizations. At the time of each procurement action, every effort will be made to encourage the participation of these organizations and draw upon their knowledge and expertise.


Henry H. Bassford
Director


DATE

62

ANNEX 6: PROJECT ANALYSES

A. Technical Analysis

Project 0225, Technical Cooperation and Feasibility Studies II, is a proposed follow-on to Project 0102, its immediate predecessor, as well as four other completed TCFS projects funded by USAID since the beginning of the current U.S. economic assistance program in Egypt in 1975. The basic goal, purpose and objectives of this new project do not differ substantively from those of previous TCFS projects. The overall programming and management of Project 0225 will follow the same procedures as the on-going 0102 Project. However, there are a few changes in project scope, activity selection criteria and funding procedures that will make Project 0225 slightly different than its predecessors. Those major areas of difference are the following:

- Project 0225-funded activities will be directly related to the 1992 - 1996 Mission Country Strategy to the maximum extent practicable. Proposed activities that do not conform to the overall directions of the strategy, or that appear to be peripheral to the strategic objectives of the strategy, will be carefully reviewed before a funding decision is made.
- There will be more consolidation, and less proliferation, of activities funded under Project 0225 than under prior TCFS projects. Mission management-intensive activities such as PVOs and long-term, large-scale technical assistance will be carefully reviewed before funding is approved. Peripheral activities with low pay-off will normally be discouraged.
- In accordance with new initiatives authorized by the Congress, AID/W and USAID/Cairo, there will be new program areas that might require Project funds to finance feasibility studies, design work, assessments, technical assistance and other activities. Two new areas already identified for potential project support are the environment and improving the efficiency of public institutions.
- PVO activities will be larger in size, but smaller in number. Only activities proposed at over \$1 million will be considered for project funding. Also, PVO proposals are expected to conform to the Mission development strategy. The review and approval of PVO activities under Project 0225 will follow a new procedure currently being established within the Mission.
- Unlike Project 0102, this new project will be able to convert U.S. appropriated dollars into Egyptian Pounds to finance local currency costs associated with activities under implementation. This flexibility will ensure the uninterrupted implementation of activities during the replenishment of the FT800 Account.

A Brief Review of Project 0102, Technical Cooperation and Feasibility Studies:

Obligated in August 1983, this project was authorized at a total of \$50 million. Cumulative obligations total \$45 million. The Mission does not plan to obligate the remainder of the authorization amount. Project 0102 initially was expected to be completed in May 1988, but its PACD was extended twice to the current August 1994 date. Project 0102 finances activities in seven functional categories, or elements:

1. Feasibility, technical and sector studies
2. Project design
3. Sector evaluations, assessments and audits
4. Technical Assistance
5. Conferences, seminars and workshops
6. Activities that accelerate the implementation of the AID program in Egypt
7. Private Voluntary Organization activities

In September 1986, the Mission obtained from MIC approval to have unilateral authority over the reservation, commitment and disbursement of a portion of project funds (\$1.2 million). USAID used these unilateral funds to finance high priority policy dialogue needs, studies, assessments, project design and technical assistance requirements for which prior consultation with MIC was not practicable. MIC was notified of the Mission's use of unilateral funds for informational and project accounting purposes. The granting of this unilateral authority to USAID was a one time arrangement; MIC has resisted the notion of unilateral authority as a continuous project implementation arrangement. Due to the sensitivity and difficulty in negotiating with the GOE unilateral authority over project funds, USAID has decided not to pursue it under Project 0225.

As of July 1992, a total of 129 activities have been funded under Project 0102. Twenty-nine of these activities were unilaterally funded. One hundred and ten (110) are already completed. Of the 12 **feasibility/technical studies** implemented, at least one has led to an AID investment of \$200 million, for the Quraymat Power Plant Project (263- 0215.06).

The fifteen **design studies** and pre-project activities financed under Project 0102 led to the implementation of seven AID-funded projects at a total authorization level of \$301 million. These projects are:

- PVO Development - \$9 million
- University Linkages II - \$20 million
- Cost Recovery for Health - \$95 million
- Partnership in Development - \$2 million

- Cairo Water II - \$145 million
- Export Promotion - \$10 million
- Small and Micro Enterprise - \$20 million

Project 0102 has funded a large number of **technical assistance** activities. Funding proposals under this element constituted 54% of total funding proposals under Project 0102. Generally, these activities complement existing AID portfolios in different sectors of the Egyptian economy. They are usually ad hoc, "implementation" activities that are expected to introduce effective approaches to developmental problems. Activities that improve the operations of grantee entities are included in this project element. Table A shows the major technical assistance activities funded under Project 0102. Although these activities have had a beneficial impact on their immediate beneficiaries, and on the economy as a whole, there will be fewer of them under the new project. This is due to Mission concern with the staff and management intensity that are involved with the implementation of these "project-like" activities.

Project 0102 also has financed **activities that have accelerated the implementation of the AID program in Egypt**. Among this category of activities are long-term advisors and consultants whose services were procured to assist in a variety of technical and managerial areas of direct relevance to the AID Egypt strategy. Table B shows the types of services procured under Personal Services Contracts (PSCs) for this purpose. It is expected that Project 0225 will continue to finance this kind of activity in order to reduce the Mission's exposure and vulnerability in managing an AID program of over eighty active projects.

Close to 30% of Project 0102 funds went to PVO developmental activities. A total of 12 PVO activities were financed under the project. These activities were implemented by ten U.S. PVOs for a total amount of \$12.7 million and LE 28.5 million. Table C lists PVO activities funded under Project 0102 and the FT800 Account. Although the planned percentage of Project 0225 funds allocated to PVOs is expected to be larger than that under Project 0102 (40%), the total number of activities is not expected to be more than ten. Project 0225 will continue to provide a funding window for the larger PVO activities until the PVO Development Project completes its current pilot phase and proves an appropriate and capable vehicle for PVO grants.

TABLE A

MAJOR TECHNICAL ASSISTANCE ACTIVITIES FINANCED OUT OF
PROJECT 263-0102 AND/OR FT-800 ACCOUNT

| | ACTIVITY NAME | SECTOR | APPROVED FUNDING LEVEL | |
|-------|--|---|---------------------------|----------------|
| | | | S 0102 | L.E. FT-800 |
| 1 | Partnership in Development | Private Sector | 1,885,000 | 10,800,000 |
| 2 | U.S. Investment Promotion Office (USIPO) | Private Sector | 1,216,000 | 3,581,000 |
| 3 | Cooperative Health Program (18 R & D Activities) | Health | 7,400,000 | 8,700,000 |
| 4 | Aswan High Dam Seismic Study | Infrastructure | 5,600,000 | 175,000 |
| 5 | Joint Health Working Group (Completed PASA) (20 R & D Activities) | Health | 2,132,731 | 1,845,402 |
| 6 | Establishment of Credit Guarantee Corp. | Private Sector | 77,200 | 1,556,000 |
| 7 | Accounting & Auditing Institute | Education | 320,000 | 2,230,000 |
| 8 | Restructuring of Industries Companies | Private Sector/ Industry | 450,000 (Not Utilized) | |
| 9 | Cairo Airport Security Enhancement | Transportation | 362,500 | |
| 10 | Establishment of Center For Higher Education (CHER) | Education | 311,000 (Not Utilized) | 615,000 |
| 11 | Establishment of Information Center For Ministry of International Cooperation | Technical Data Collection/ Analysis | | 640,000 |
| 12 | Repair of Abu Sultan Thermal Power Plant (Unit 2) | Infrastructure | 900,000 | |
| 13 | Establishment of CAPMAS National Statistical Information Network | Data Collection/ Analysis | 101,695 | 611,409 |
| 14 | CAPMAS Income & Expenditures Survey | Data Collection/ Analysis | 200,000 | 1,014,932 |
| TOTAL | | | 20,956,126 | 31,768,743 |

TABLE B

PERSONAL SERVICES CONTRACTS FUNDED OUT OF
PROJECT 263-0102 AND FT-800 ACCOUNT

| ACTIVITY NAME | APPROVED FUNDING | |
|--|------------------|---------------|
| | \$ 0102 | L.E FT-800 |
| Evaluation Officer | 217,575 | 121,000 |
| Assistant Evaluation Officer | 20,000 | 40,000 |
| Two Years Agriculture Extension Coordinator | 250,450 | 91,500 |
| (2) Credit Guarantee Corp/Small & Micro PSCs (unilateral Funds) | 272,544 | |
| (2) Host Country Contracting PSCs (Unilateral & Regular Funds) | 434,545 | 3,500 |
| 2) Financial Advisors on Capital Markets | 318,623 | 116,100 |
| TOTAL | 1,513,737 | 377,100 |

TOTAL NUMBER OF PSCs FINANCED OUT OF 0102 AND FT-800 = 9

TABLE C

**PVO ACTIVITIES FINANCED OUT OF
PROJECT 263-0102 AND/OR FT-800 ACCOUNT**

| PVO | ACTIVITY NAME | APPROVED \$ AMOUNT | APPROVED LE AMOUNT | DATE OF APPROVAL |
|----------|---|-----------------------|-----------------------|------------------|
| HOPE | 1. ASSUIT NURSING INSTITUTE | 455,123 | 0 | DEC 83 |
| | 18 MONTHS EXT. FOR ASSUIT NURSING INSTIT | 360,165 | 176,452 | SEPT 86 |
| | 3 YEARS EXT. FOR ASSUIT NURSING INSTITUTE | 0 | 106,733 | MARCH 88 |
| | ASSUIT NURSING INSTITUTE EXTENSION | 0 | 30,400 | DEC 88 |
| | ASSUIT NURSING INSTITUTE EXTENSION | 0 | 35,000 | AUG 89 |
| | 2. HIGH INSTITUTE OF NURSING CONSORTIUM | 645,150 | 1,363,925 | SEPT 89 |
| | HIGH INSTITUTE OF NURSING | 114,440 | 139,074 | JULY 92 |
| | ASSUIT NURSING INSTITUTE 2 YRS EXTENSION | 0 | 348,206 | OCT 90 |
| | SUB-TOTAL | 1,574,878 | 2,199,790 | |
| CARE | 3. HIGH DAM FISHERIES PHASE II | 250,300 | 487,000 | AUG 84 |
| | HIGH DAM FISHERIES PHASE II | 0 | 75,500 | NOV 88 |
| | 4. SOUTH SINAI FISHERIES | 81,464 | 806,700 | APRIL 88 |
| | SOUTH SINAI FISHERIES (COST OVERRUN) | 0 | 501,473 | APRIL 88 |
| | 5. COMMUNITY INITIATED DEVELOPMENT | 1,110,100 | 9,288,100 | SEPT 90 |
| | SUB-TOTAL | 1,441,864 | 11,158,773 | |
| AMIDEAST | 6. EDUCATIONAL COUNSELING | | 122,622 | AUG 86 |
| | EDUCATIONAL COUNSELING | 266,301 | 952,139 | JAN 90 |
| | EXTENSION THOUGH DEC. 91 | 61,746 | 461,825 | AUG 91 |
| | 7. JUDICIAL EDUCATION | 17,000 | 26,400 | JUNE 91 |
| | SUB-TOTAL | 345,047 | 1,562,986 | |

TABLE C

**PVO ACTIVITIES FINANCED OUT OF
PROJECT 263 0102 AND/OR FT-800 ACCOUNT**

| PVO | | ACTIVITY NAME | APPROVED \$ AMOUNT | APPROVED LE AMOUNT | DATE OF APPROVAL |
|----------|-----|---|-----------------------|-----------------------|-------------------------|
| AALC | | AFRICAN-AMERICAN LABOR CENTER 13 MONTHS EXT | 0 | 322,000 | JAN 88 |
| IESC | 8. | GRANT TO IESC | 3,000,000 | 0 | JUNE 88 |
| | | 9 MONTHS EXTENSION | 992,290 | 1,795,863 | JAN 91 |
| | | ONE YEAR EXTENSION | 1,350,000 | 3,027,360 | OCT 91 |
| | | EXTENSION | | 182,160 | MAY 92 |
| | | SUB-TOTAL | 5,342,290 | 5,005,383 | |
| CHS | | HONEY MARKETING COOPERATIVE | 0 | 723,038 | JUNE 89 |
| | | CHILD DEVELOPMENT PROGRAM | 0 | 821,590 | MARCH 91 (IN PRINCIPLE) |
| | | ENVIRONMENTAL SANITATION EXPANSION | 0 | 691,958 | JAN 92 (IN PRINCIPLE) |
| | | SUB-TOTAL | 0 | 2,236,586 | |
| ACDI | 9. | FARMER TO FARMER SIX MONTHS EXTENSION | 157,676 | 165,417 | SEPT 89 |
| | | FARMER TO FARMER PHASE II | 3,500,000 | 4,500,000 | FEB 90 |
| | | SUB-TOTAL | 3,657,676 | 4,665,417 | |
| SCA | 10 | MANAGEMENT TRAINING BY VIDEOS FOR PVOs | 71,319 | 505,445 | MARCH 91 (IN PRINCIPLE) |
| PRIDE | 11. | DRUG PREVENTION NEEDS ASSESSMENT | 212,697 | 843,528 | APRIL 91 (IN PRINCIPLE) |
| AFRICARE | 12 | LAND RECLAMATION FEASIBILITY STUDY | 197,158 | 44,500 | AUGUST 91 |
| | | TOTAL PVOs | 12,842,929 | 28,544,408 | |

MIC - INITIATED ACTIVITIES

| Activity | 0102 | FT-800 | Status |
|--|------------|------------|-------------|
| •Aswan High Dam Seismic. | 1,600,000 | | Approved |
| •AMIDEAST-Educational Counseling FY 87. | | 122,622 | Approved |
| •5th Int'l dental conference - Alex. | | 4,800 | Approved |
| •Cost Recovery - Design Work. | 104,000 | 40,000 | Approved |
| •Conference on AIDS and Sexual Diseases. | | 135,000 | Approved |
| •Aswan High Dam Seismic - Equipments. | 200,000 | | Approved |
| •International Conference-Egyptian Society. | | 41,000 | Approved |
| •CAPMAS - Egyptian National Statis. Inf. network. | 101,695 | 611,409 | Approved |
| •Sinai Planning Studies Project. | 150,000 | | Approved |
| •Industrial Census in Egypt 2 teams. | 45,000 | | Approved |
| •Arbitration fees for Social Insurance Issues. | | 3,500 | |
| •Symposium on the Environmental protection of the River Nile. | 20,000 | | Approved |
| •Development for Touristic Areas. | Funded out | of Special | Account |
| •S&T for Economic Development (Symposium). | | 30,000 | Approved |
| •AIN Shams Medical Conference. | | | Disapproved |
| •2 engineers to execute Telecom. IV. | 3,000 | 3,000 | Approved |
| •CAPMAS - to complete studies on preparing of Census in Egypt. | 20,000 | | Approved |
| •(HISW) Int'l Conference on Women & Peace. | 6,000 | 7,914 | Approved |
| •Egypt - U.S. Business Council (Grant). | 692,800 | 1,568,400 | Approved |
| •Cost of a Cardiac team from Minnesota College. | | | Rejected |
| •CRS - Honey Marketing Cooperation - in Minia. | | 723,038 | Approved |
| •Extension of Mr. Abdel Aziz's MIC Consultant Services. | | 2,700 | Approved |
| •Mgt. Engineering Society (Symposium). | 36,000 | 40,000 | Approved |
| •Farmer to Farmer Extension | 157,676 | 165,417 | Approved |
| •CAPMAS - travelling of 2 visitors to U.S. | 34,857 | | Approved |
| •Income, expenditure and consumption survey. | 200,000 | 1,014,932 | Approved |
| •Perini Ayoubco, Social Insurance Assessment. | | 1,231,486 | Approved |

| Activity | 0102 | FT-800 | Status |
|---|---------|-----------|-------------|
| • Egyptian Institute for Accountants & Auditors - Customs for Equipments. | | 150,000 | Approved |
| • To establish the Credit Guarantee Corporation. | | 1,500,000 | Approved |
| • Interest due on the Social Insurance. | | 8,185 | Approved |
| • Harbart Howard - Social Insurance. | | 2,500 | Approved |
| • AMIDEAST - financing expenses of 89/90. | 266,600 | 952,139 | Approved |
| • Capital Market Authority Study. | | | Cancelled |
| • Hydro-Power Plants Executive Authority study on pumped storage . | | | Rejected |
| • U.S. consultancy in the area of drug abuse. | 15,483 | | Approved |
| • Int'l Privatization Congress. | 1,430 | 6,270 | Approved |
| • Seminar on Project Mgt. for Dev. in Washington. | 6,719 | 6,348 | Approved |
| • Invitation travel to USSR for a member of the Int'l Academy of Cytology. | 4,325 | 8,000 | Approved |
| • Attendance of 3 from Bank of Com. and Development a seminar. | 13,422 | 20,280 | Approved |
| • Int'l Conf. on the Implementation of the Privatization and Com. Program in Lagos. | | | Disapproved |
| • HOPE - Assiut Higer Institute of Nursing. | | 348,206 | Approved |
| • Hassan Abdel Aziz's salary. | | 390 | Approved |
| • Hassan Abdel Aziz's salary. | | 5,820 | Approved |
| • Ship handling simulation system in Alex. | | | Dereserved |
| • Abu Sultan - consultant to restruct the Ismailia Steam Power Plant 2. | 900,000 | | Approved |
| • Cairo Airport Authority - FS on establishing a Free Zone. | 100,000 | 471,250 | Approved |
| • The Egyptian Institute for Accounts and Auditors. | | | Disapproved |
| • Hassan Abdel Aziz's salary. | | 525 | Approved |
| • Attendance of Legal Advisor at Int'l Arbitration seminar in Washington. | 4,434 | 10,000 | Approved |
| • National Investment Bank-Technical Studies. | | | Disapproved |

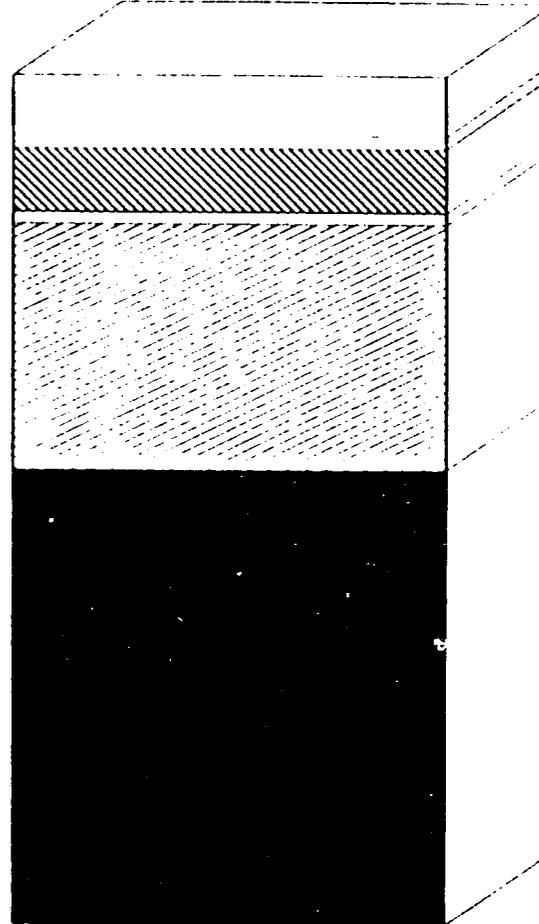
| Activity | 0102 | FT-800 | Status |
|---|---------|---------|-------------|
| •Dakahlia National Bank - Feasibility Study. | | 750,000 | Approved |
| •Mr. Hassan Abdel Aziz's salary. | | 6,720 | Approved |
| •Mr. Ahmed A/Salam Zaki's attendance at an enterprise development seminar. | | | Rejected |
| •Emergency Medicine:attedance of 2 Dr.s a conference. | 7,000 | 17,743 | Approved |
| •Egyptian Association for Engineering industries - to procure office. | | | Rejected |
| •CHER-to finance the activities for 5 years. | | | Disapproved |
| •Seminar on Strategies for Promoting Small-Scale Enterprise. | 4,000 | 16,000 | Approved |
| •Central Egyptian Union for Chamber of Commerce-an Exhibition in Cairo. | | | Rejected |
| •CHER Study on Investing Surplus Graduates of the Egyptian Universities. | | | Disapproved |
| •HOPE - training and Development in the general area of nursing leadership (seminar). | 114,440 | | Approved |

| | |
|--------------------------------------|----|
| Total No. of activities | 52 |
| Total No. of approved activities | 36 |
| Total No. of Disapproved activities | 13 |
| Total No. of other source activities | 1 |
| Total No. of Dereserved activities | 2 |

12

PROJECT 263-0102

FUNDS SORTED BY ELEMENTS (FY83-92)
(Approved Funding Proposals)



7% Feasibility Studies
1% Assessment/Audit/Evaluation
7% Project Design
1% Conference/Summers

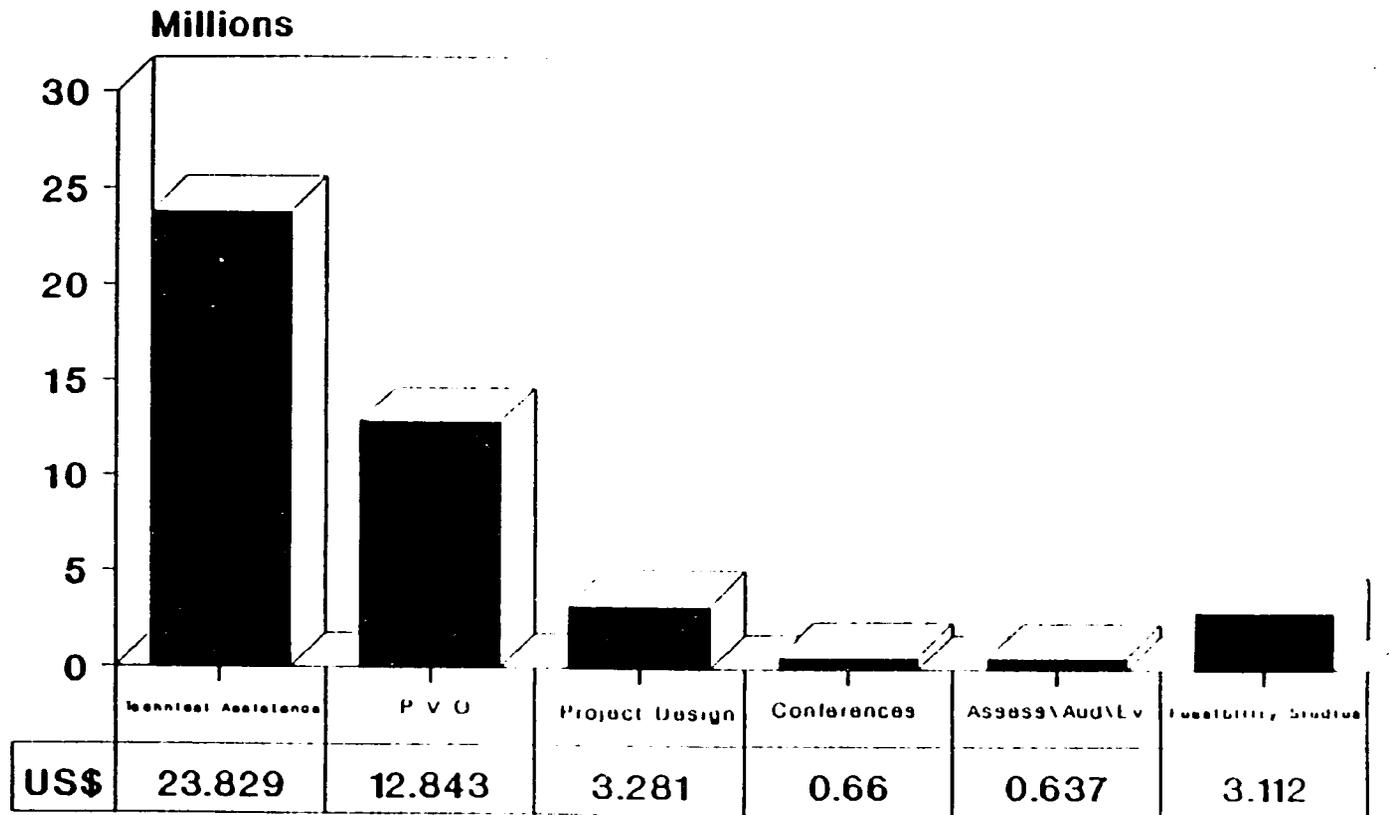
29%
Private Voluntary Organizations

54% Technical Assistance

PROJECT 263-0102

Funds Sorted By Project Element (FY83-92)

(Approved Funding Level)

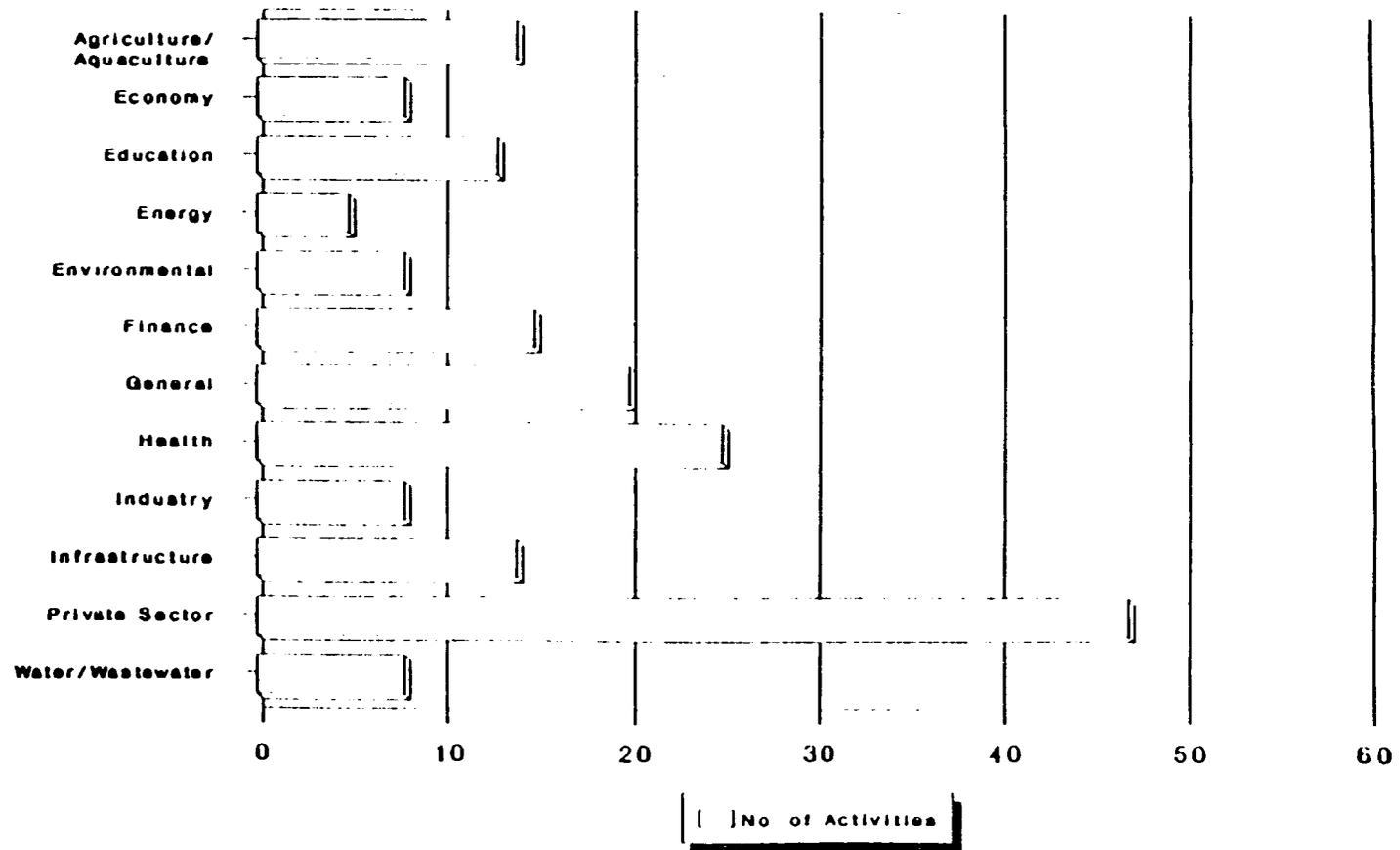


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74

PROJECT 263-0102/FT-800

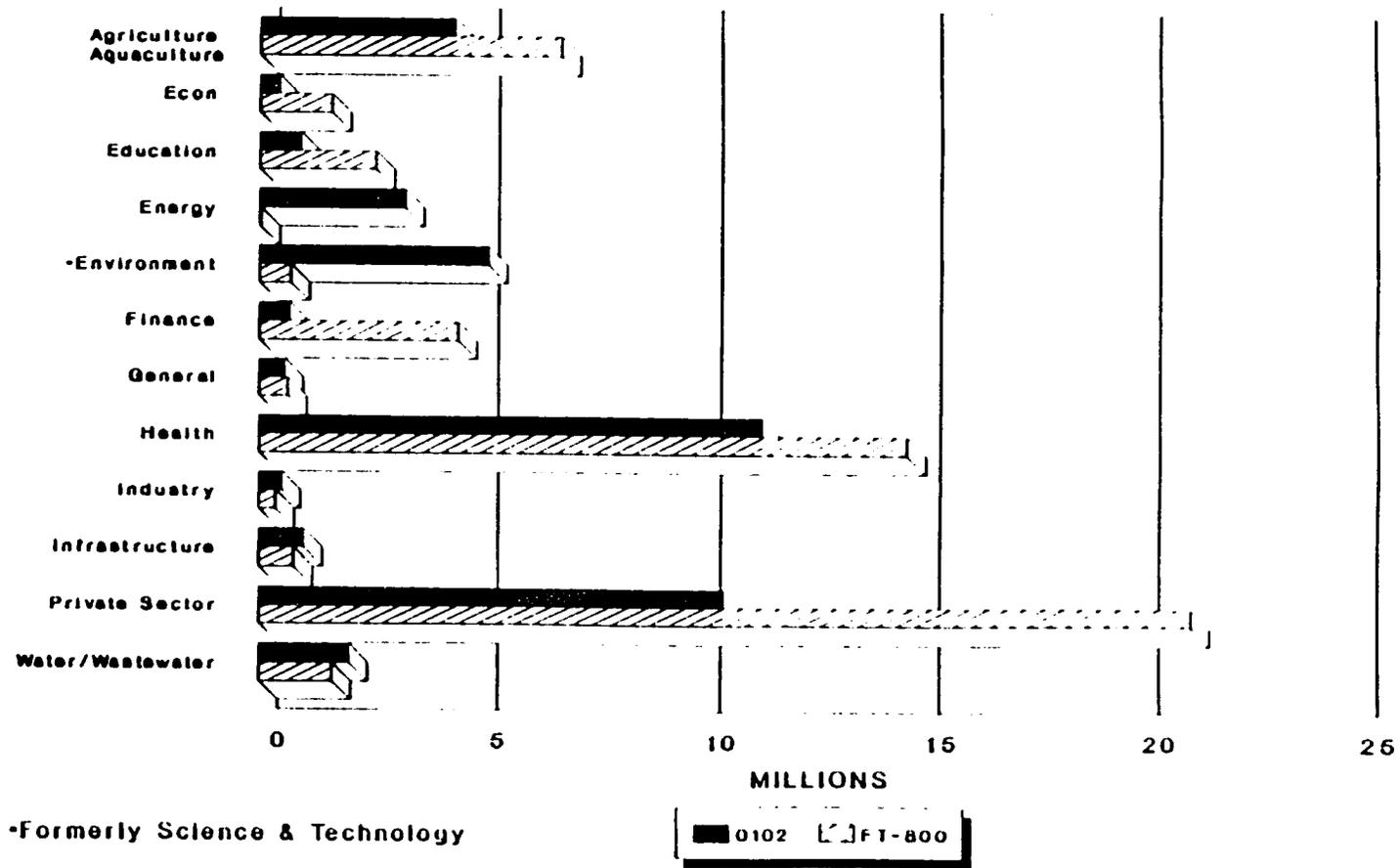
ACTIVITIES SORTED BY SECTORS FY83-92



1/2

PROJECT 263-0102/FT-800

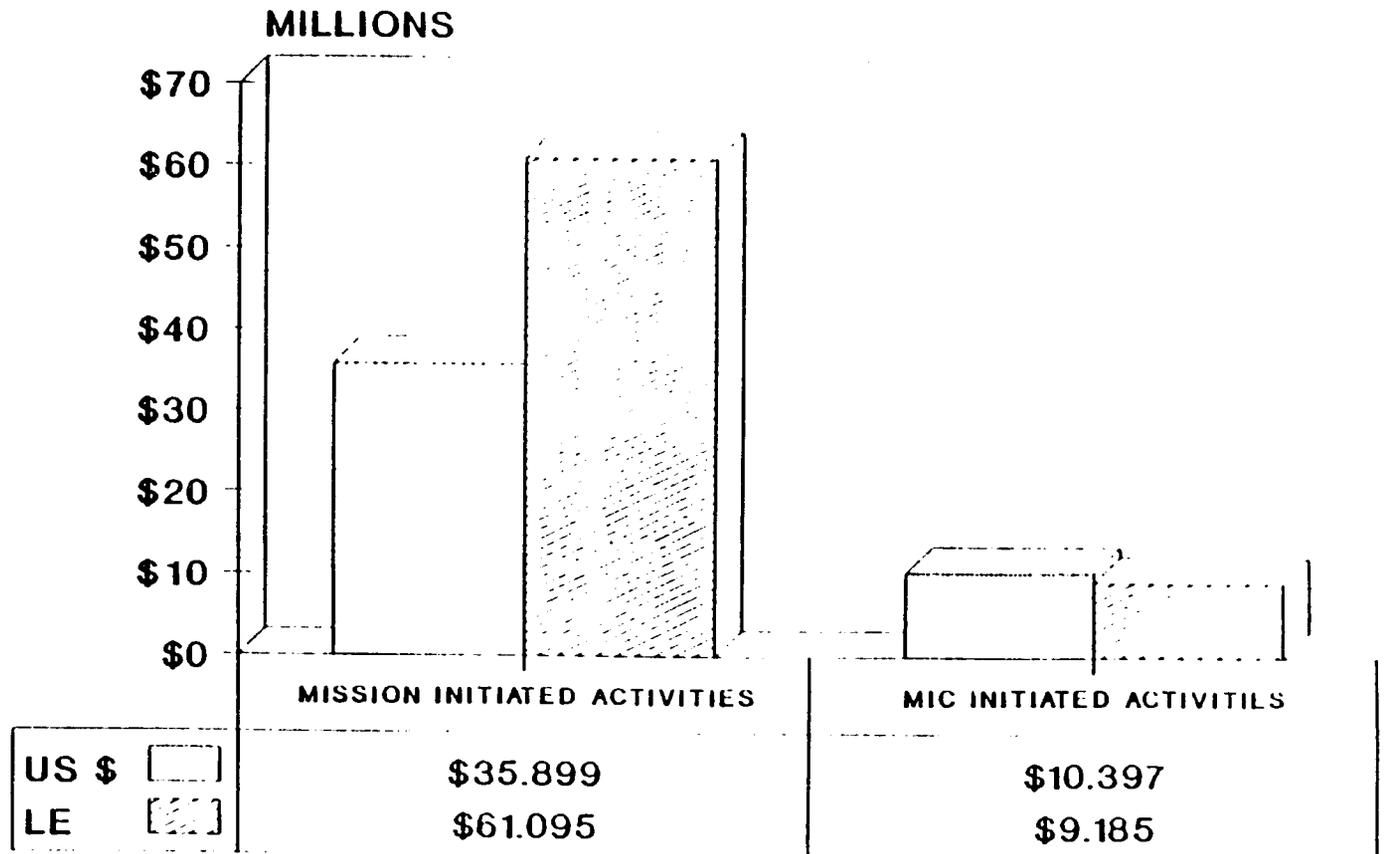
By Sectors FY 83-92



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PROJECT 263-0102/FT-800

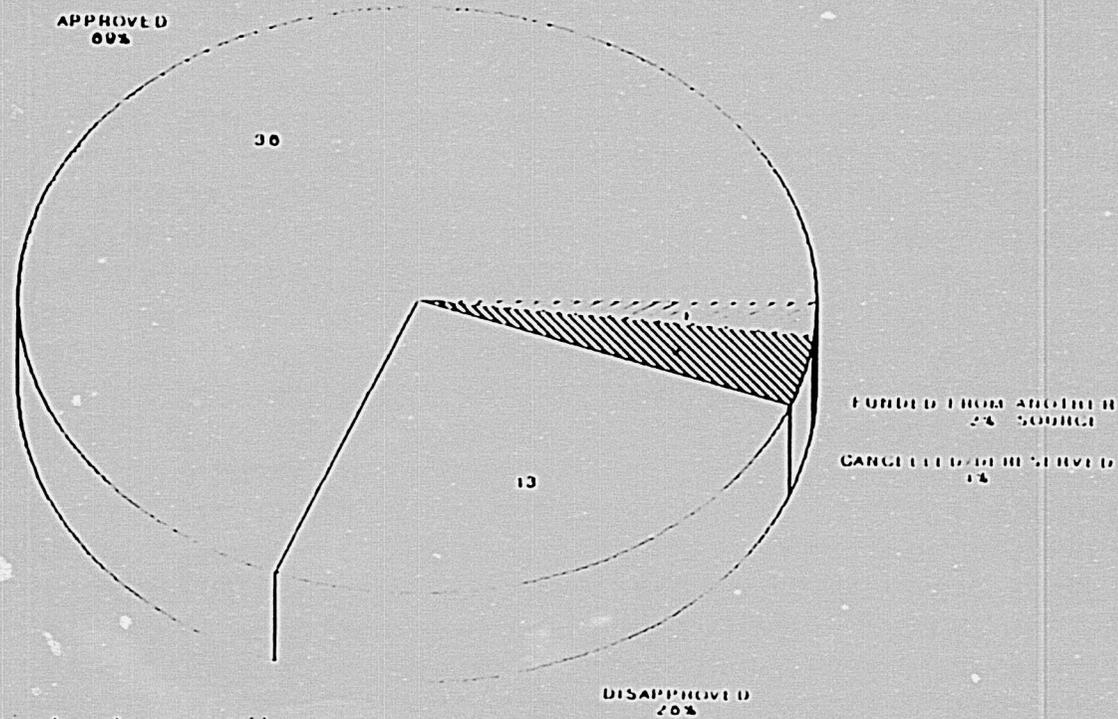
TOTAL AMOUNTS FY 83-92



11

PROJECT 263-0102/FT-800

MIC-INITIATED ACTIVITIES



Total Number of Activities: 45

RP

MISSION ORDER

UNITED STATES AID MISSION TO EGYPT

| | |
|---|---------------|
| Guidelines for Use of Technical Cooperation and Feasibility Studies (0102) and AID Activity Trust Account (FT800) Funds | 3-22 |
| M.O. 3-22 Dated 6/20/88 | April 5, 1989 |
| Handbook 3, Project Assistance; FM Bulletin No. 50 Dated November 10, 1983; AID/W Cable: STATE 327494 - Supplemental Guidance on Programming Local Currency, Dated October 21, 1987 | PAGE 12 |

I. PURPOSE

This Mission Order establishes policies and procedures for the use of funds from:

- The Technical Cooperation and Feasibility Studies Project (No. 263-0102), and
- The AID Activity Trust Account (FT800)

II. POLICY

Project 263-0102 and the FT800 Account are designed to finance activities such as feasibility and technical studies that identify and prepare development projects and programs that could be considered for future AID financing, project design and pre-project studies, evaluations and assessments, as well as activities that accelerate implementation of the AID program in Egypt. Project and Account funds also finance technical assistance and activities of private voluntary organizations (PVO's) that are considered important for development but have no other appropriate source of funding.

III. PROCEDURES

A. General Funding Criteria:

The nature of the activity normally will determine the choice of funding source - either Project 0102 or the FT800 Account. The project paper and its amendments and the grant agreements for Project 0102 and the Trust Account Agreement for FT800 provide the general framework for utilization of funds. General guidelines are as follows:

1. Technical Cooperation and Feasibility Studies (Project 0102). This project finances only U.S. dollar costs of goods and services. The project grant agreement does not allow the conversion of dollars to Egyptian pounds to pay for local currency costs. The FT800 Account should be used for activities financed in local currency. Project 0102 finances the following:

a. Feasibility, technical, general and sector studies as well as project design and pre-project studies. These studies assess whether a proposed project is worth pursuing, and if so, perform preparatory work for project development. General and sector studies examine the social and economic dynamics of a broad sector, the issues associated with the sector, and the investment options that the GOE and AID may consider in the future.

Major feasibility studies will be undertaken only for potential investments in CDSS-approved areas. The Mission Director will approve feasibility and technical studies that involve a prospective change in policy or strategy. Feasibility or pre-project studies for activities involving multiple donors will not be undertaken unless there have been discussions with prospective donors beforehand, and that willingness to consider such proposals is expressed by other donors.

b. Activities that support the accelerated implementation of the AID program. Activities falling under this category would prepare AID-financed projects and programs for implementation and completion by carrying out certain selected activities described below. These actions are usually very limited in scope and cost. The Mission Director will approve 0102/FT800 funding of these activities.

Activities under this category include the initiation of certain project implementation actions prior to and after execution of a Project Agreement such as pre-award surveys, etc. Other activities include post project monitoring, the provision of limited technical assistance to safeguard AID's investment during the transition period as total management of the project is turned over to the GOE, and post project evaluations. They might also include feasibility or evaluation studies needed for mid-course redesign, for which insufficient funds are available within the project budget.

c. Technical cooperation/assistance. Short and long term advisory services of consultants, technical experts, institutions and other organizations may be required for the introduction of new technological processes, improved management practices, or the solution of specific technical or managerial problems, etc. Activities under this category may also strengthen the operations of Grantee organizations charged with the implementation of A.I.D programs.

d. Project/sector evaluations and assessments, surveys and non-federal audits;

e. Private Voluntary Organization activities. Project funds will be provided to certain PVO's whose activities are congruent with or complementary to both the CDSS and GOE development strategies.

f. Miscellaneous short-term activities. These activities include invitational travel, observational tours and participation of Egyptian officials in conferences, workshops, seminars, etc. in the U.S. and third countries; and the participation of U.S. professionals in similar in-country functions. Project 0102 will finance tuition or registration costs and per diem expenses of these activities. International travel costs of Egyptian officials travelling abroad will be financed by the FT800 Account. Travel will be on Egyptian air carriers.

2. A.I.D. Activity Trust Account (FT-800). This Account is funded from the GOE-AID CIP Special Account. FT800 finances LE activities similar to those financed under Project 0102, as well as the local currency costs of activities whose dollar costs are funded under the same project, such as:

a. Advisory services of Egyptian consultants, experts and institutions. To the maximum extent possible, existing qualified Egyptian expertise should be used in undertaking feasibility, technical, evaluation, general and sector studies as well as project design and pre-project studies.

b. International and in-country travel costs. Travel costs of participant trainees and Egyptian officials visiting the U.S. or other countries will be funded from this Account. Travel will be on Egyptian air carrier unless it is impractical or inconvenient. In such instances, arrangements may be made to travel on U.S. air carriers. (Please refer to Staff Notice No. 89 - 014 dated January 23, 1989 for guidance).

c. Medical examinations and pre-departure English language training for Mission-funded participant trainees.

d. In-country seminars, conferences and workshops (in priority sectors of direct relevance to USAID activities).

e. Small-scale demonstration/pilot and PVO activities, not related to dollar-funded activities. (Please refer to STATE 327494 dated October 1987 for guidance on USAID review and monitoring requirements for discrete activities financed under Trust funds).

NOTE: The AID Activity Trust Account also funds the administrative costs, or operating expenses (OE) of the AID Mission in Egypt. This portion of the Account is managed by FM, and does not come under the guidance in this Mission Order.

B. Administration and Programming of Funds:

The USAID Program Office (PDS/P)* is responsible for the overall management of Project 0102 and the FT800 Account. PDS/P determines the overall obligation/replenishment levels for Project 0102 and the FT800 Account. This determination is based on annual reviews of overall project implementation as well as individual activity performance. The annual review will also involve planning by the Mission technical directorates to estimate their requirements for TCFS funds for the next year. Quarterly reviews between USAID and MIC will be held to monitor and improve project management.

PDS/P reviews and analyzes activity proposals to determine their conformance with project funding criteria and guidelines, and their compatibility with priority development areas outlined in the Mission CDSS and the GOE five-year development plan.

Project management was significantly enhanced since the end of FY88 with the signing of Project 0102 PIL no. 18, dated September 26, 1988. The Mission now informs the Ministry of International Cooperation (MIC) of the intent to use funds from Project 0102 and/or the FT800 Account to finance the types of activities described in Section III.A. If, within two working weeks, MIC does not identify substantive issues, USAID may proceed with the implementation of the activity. This new system does not apply to PVO proposals; MIC approval is necessary.**

Although the Program Office is the main negotiator with MIC on the selection and funding of Project 0102/FT800-financed activities, technical offices also have the responsibility of responding (through PDS/P) to queries or requests for further information from MIC during the latter's two week review of funding proposals. Technical officers and project managers initiating the various activities assume responsibility for implementing and monitoring the activities once funds are approved.

To the extent possible, the Mission will share with MIC and the GOE technical counterparts copies of completed studies, surveys, assessments and evaluations.

* Program Development and Support/Program (PDS/P)

** The Mission has unilateral authority to use a specific portion of Project 0102 funds. See paragraph V, page 10.

02

C. Implementation Procedures:

1. Developing and Processing Funding Proposals

To the extent possible, details of specific sub-activities planned are set forth in Project 0102's project paper and its amendments. In addition, PDS/P will canvass the technical directorates each year to attempt to plan for project needs during the year. GOE agencies which desire funding should submit their proposals to MIC concurrently with their request to USAID.

If activity funding proposals are initiated by the Mission, they should include appropriate supporting material, including a description of the proposed activity, its estimated cost and duration, and its relationship to GOE and USAID priorities and interests. It is also important to attach or refer to any GOE counterpart agency concurrence with the activity.

Within USAID, PDS/P reviews and clears all funding proposals. The AD/PDS must approve all activities financed by Project 0102 and/or the FT800 Account. In addition, the Mission Director must approve activities described under III.A.1.a (if not within the CDSS) and III.A.1.b. Activities over \$5 million or the LE equivalent require the approval of the Mission Director. (See Mission Order 5-4, dated March 21, 1988).

a. Clearance and Signature of Approval Documents

The Associate Director of PDS signs the activity funding proposal that is sent to MIC. Note that outgoing funding proposals must be cleared by the respective Office Director and/or Associate Director, and PDS/P. (PDS/PS is required to clear if the activity relates to project development).

Funding proposals to the MIC (see Exhibit A)
should:

(1) Be addressed to:
(Incumbent)
Administrator of the Department for
Economic Cooperation with the U.S.
Ministry of International Cooperation
8, Adly Street, Cairo

(2) Describe the proposed activity, and other pertinent data such as the duration and impact of the activity. A budget breakdown should also be attached. Proposals prepared by the Mission should whenever possible give reference to the request for assistance from the participating Ministry or Government entity (name of official, title, and office).

10

(3) Specify the most appropriate source of funds -- Technical Cooperation and Feasibility Studies (263-0102) and/or AID Activity Trust Fund (FT-800).

(4) After PDS/P reviews and clears an activity proposal, PDS/P gives it a MACS office code number (See page 7) and project serial number and retains a copy to maintain accurate records and follow-up with MIC. The proposal then goes to the originating office for further action requirements and transmittal to MIC. PDS/P will keep track of the proposal at MIC, and will inform the technical office when the two week notification period expires.

(5) Correspondence with the counterpart government entity that will implement the activity must not commit funds until MIC is notified and given two weeks to review the activity. In cases where funding levels are discussed, letters should be qualified by stating: "pending the availability of funds and concurrence of the Ministry of International Cooperation." PDS/P must clear letters and cables referring to the use of project funds, even if the correspondence is not addressed to MIC.

b. GOE-Initiated Funding Proposals

Ministries and government agencies should submit proposals for Project 0102 and/or FT800 funding directly to MIC, concurrently with their request to USAID. When MIC determines that an activity is appropriate for Project 0102/FT800 funding, it will transmit the proposal to USAID. The proposal is reviewed within the Mission, mainly by PDS/P and the technical office most closely associated with the activity.

After analysis, appropriate correspondence for the AD/PDS's signature will be prepared by the technical office. PDS/P will clear USAID's response. The letter to MIC should state USAID's concurrence, the suggested estimated costs, and the source of funding. In the event that funding by USAID is not appropriate, the letter should give reasons.

24

The Mission's MACS office codes (MOC) are as follows:

| <u>office</u> | <u>MOC</u> |
|---------------|------------|
| <u>PDS</u> | 400 |
| P | 402 |
| E | 403 |
| PS | 404 |
| <u>IS</u> | 500 |
| CMT | 502 |
| FI | 504 |
| <u>DR</u> | 600 |
| LAD | 603 |
| UAD | 604 |
| <u>AGR</u> | 700 |
| ACE | 703 |
| AG | 704 |
| ILD | 705 |
| <u>HRDC</u> | 800 |
| E&T | 802 |
| S&T | 803 |
| H | 804 |
| POP | 805 |
| <u>FM</u> | 100 |
| FO | 102 |
| FA | 103 |
| DMS | 104 |
| <u>LEGAL</u> | 201 |
| <u>MGT</u> | 301 |
| CS | 302 |

25

2. USAID Procedures for Executing and Accounting for Implementation documents and Activity Agreements:

Implementation documents executed under Project 0102 and/or individual activity agreements under the FT800 Account should follow normal Mission procedures. (Please refer to Mission Order 5-4 and FM Bulletin No. 50, Project Officer's Guide to Implementing Documents, dated November 10, 1983 for more details).

a. When executing implementation documents under Project 0102, the same procedures should be used as those for other USAID-funded projects:

(1) For AID direct contracts and Operating Program Grants (OPGs), funds are earmarked by a PIO/T and committed by an AID direct contract or grant.

(2) For invitational travel, funds are earmarked by a request for Travel Authorization (TA) and committed by a TA.

(3) For activities carried out by GOE entities, funds are earmarked by a Project Implementation Letter (PIL) and committed by a PIL.

(4) For host country contracts, funds are earmarked by a PIL and committed by an approved host country contract.

b. Because the FT800 Account is a Trust Fund and not a project, there is no overall project obligation document (such as the Grant Agreement for dollar-funded projects). Therefore, funds are reserved and obligated as individual agreements are executed:

(1) For AID activity direct contracts and OPGs, funds are reserved by a PIO/T and obligated by an AID direct contract or grant.

(2) For invitational travel, funds are reserved by a request for TA and obligated by a TA.

(3) For activities carried out by GOE entities, funds are reserved by an FT800 Activity Agreement (See Exhibit B). Funds are obligated by the same document signed by an authorized officer. (See Mission Order 5-4).

(4) For host country contracts, funds are reserved by an FT800 Activity Agreement and obligated by an approved host country contract.

Unsolicited proposals that require either Project 0102 or FT800 funding should meet established criteria and should be appropriately reviewed within the Mission. (See Federal Acquisition Regulations, Subpart 15.5).

86

3. Review of Approved, Earmarked and Committed Funds:

Project 0102 and the FT800 Account finance hundreds of activities. A great deal of funding that is no longer required may be tied up in reserved, earmarking and/or committing documents. Therefore, the following actions will be required on a quarterly basis:

a. PDS/P will provide to the technical offices copies of PDS/P and FM reports listing approved, earmarked and committed amounts for each individual activity.

b. Officers responsible for the activities should note on the printout which activities no longer need the balance of approved, earmarked or committed funds. This is particularly important for completed activities.

c. Individuals should return the marked-up printouts to PDS/P. To untie reserved but unused funds, the technical office should prepare a brief memorandum to PDS/P. To de-earmark unused funds, a PIO/T facesheet/TA/or PIL amendment should be prepared by the technical office and sent to PDS/P and FM for clearance and action. To de-commit unused funds, the technical office should prepare a brief memorandum to PDS/P and FM.

PDS/P will regularly review the status of funding proposals. In consultation with the technical office, PDS/P will untie funds if the activity is modified, cancelled or inordinately delayed. In the spirit of sound management, technical project officers are encouraged to promptly release any unused funds.

IV. ACTIVITY COST OVERRUNS

The actual implementation costs of an activity financed under Project 0102 and/or FT800 sometimes exceed the illustrative budget included in the initial funding proposal submitted to MIC. For activities funded out of the FT800 Account, USAID is authorized to fund a cost overrun without prior approval from MIC if it is less than

L.E. 25,000 and does not exceed twenty five percent (25%) of the amount originally approved for the activity. USAID must notify MIC whenever the cost overrun provision is applied.

The authority to spend more than MIC-approved amounts does not change any of AID's internal funds control procedures. Obligating documents funded from the FT800 Account must be amended before originally obligated funds are exceeded.

Project 0102 does not have a similar cost overrun provision. In the case of an activity cost overrun, a letter to MIC informing them of our intent to use additional funds should be prepared by the technical office. PDS/P clears and the AD/PDS signs the letter. The two week notification system also is used for cost overruns. Following expiration of the two weeks, the committing documents must be amended before the originally committed funds are exceeded.

97

V. UNILATERAL AUTHORITY TO USE PROJECT 0102 FUNDS

The Mission is authorized to utilize a small portion of funds from Project 0102 without seeking prior approval from MIC. USAID has unilateral authority over the allocation, commitment and disbursement of these funds.

These funds finance high priority policy dialogue needs, studies, assessments, project design and technical assistance requirements for which prior consultation with the GOE is not practicable.

Project development activities may be financed out of this set-aside for projects that we believe will be favourably received by the GOE and for which concept papers and/or PIDs have been approved by the Mission.

Project unilateral funds should not be used for the following:

- to augment on-going projects. Where on-going projects have a TA line item, this should be tapped rather than 0102 funds.
- for activities that should be approved by a counterpart Ministry, if they are to be implemented. Once a Ministry has requested an activity under Project 0102, MIC almost never disapproves the request even though budgetary changes are often made.
- for local currency costs. Project 0102 finances dollar costs only. It cannot be used to finance the LE costs of Egyptian consultant services or other local currency costs associated with project activities.

In 1988, Project 0102 unilateral funds were equally allocated among the Mission's technical directorates, including PDS. The technical associate directors have approved unilateral funds under their control according to the guidelines presented in this Mission Order.

Mission officers should prepare an action memorandum to their Associate Director for proposals identified for unilateral funding. (See Exhibit C). Unilateral funding proposals are authorized by the appropriate technical Associate Director subsequent to clearance by PDS/P.

PDS/P reviews and clears unilateral funding proposals to ensure conformity with general project and specific unilateral funding criteria, as well as to keep track of project activities. PDS/PS also should clear if the activity is for project design.

Unilateral funds are earmarked and committed under a separate project budget element. For effective control and monitoring of unilaterally allocated funds, the action memoranda will be given a MACS office code, but separate serial numbers from funding requests submitted to MIC. (For example, if the first unilateral action memorandum is from TI/FI, it would be numbered ACT-0102-504-1).

Whenever the Mission uses unilateral funds from Project 0102, MIC will be notified for informational and project accounting purposes. PDS/P will prepare the after-the-fact notification, which is signed by the AD/PDS.

VI. ACTIVITIES INITIATED BY PRIVATE VOLUNTARY ORGANIZATIONS (PVO's)

Normally, after a PVO submits a funding proposal, USAID will hold a project review committee (PRC) meeting to review the proposed activity. After USAID gives its approval in principle, the formal request for financing PVO-initiated or sponsored activities should be forwarded directly by the technical or backstopping GOE entity to MIC. A copy of the request will be sent to the USAID PVO Officer for information and follow-up. The two week notification system does not apply to PVO activities.

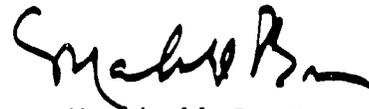
Final USAID approval and execution of the grant will come after receipt of MIC approval. While the initiative for these actions rests with the PVO, the GOE and the Mission PVO Officer, where appropriate, PDS/P will facilitate clearance of the proposal with MIC. For more details on policy and procedures for review and implementation of PVO proposals, see Mission Order 1 - 5, dated August 17, 1988: Policy and Procedures for USAID Grants and Cooperative Agreements Supporting PVO Activities. .

89'

VII. STATUS AND EVALUATION REPORTS ON PROJECT 0102 and FT800 - FINANCED ACTIVITIES

Technical offices will be asked to prepare for PDS/P periodic status reports on long-term activities (more than 6 months) and brief evaluation reports on short-term activities. An evaluation report need be nothing more than a couple of paragraphs explaining to what use a particular activity was put after its funding from Project 0102 or the FT800 Account was completed. This will enable the Mission to remain informed of progress and benefits occurring from project activities. In addition, these reports provide information on the quality of the study or service provided, the results and/or recommendations of the study or activities, contractor performance, and any special problems encountered.

Follow-up and evaluation of the activities in accordance with Project 0102's evaluation/monitoring plan will provide valuable lessons learned, as well as help in the overall evaluation of Project 0102 and the FT800 Account.



Marshall D. Brown
Director

The STN activity will be administered in accordance with the terms and conditions as set forth in:

- Attachment 1: Activity Proposal/Description, with illustrative budget for the period of May 1, 1988 through April 30, 1990.
- Attachment 2: Trust Account Agreement between the United States Agency of International Development and the Government of the Arab Republic of Egypt dated October 3, 1985.
- Attachment 3: General Provisions for LE Trust Fund Grants.
- Attachment 4: Payment Provisions for Periodic Revolving Advances. These provisions provide the mechanism by which the MOH will request funds from AID and report on their use.

AID will make payments to the MOH in accordance with the budget and payment provisions as shown in Attachments 1, 2, 3 and 4.

Upon notification of the approval of the Ministry of Health as indicated by your signature in the space provided below, AID will authorize an advance for the STN activity.

Sincerely yours,

Approved by: _____
Dr. Alia Ayoub
Project Director

Mission authorized officer*

For : Ministry of Health

USAID/Cairo

Date : _____

Clearances:

Tech. Office: _____
PDS/P : _____
FM/FA : _____
FM/FO : _____
LEG : _____

*Technical Office Director if the amount is up to the LE equivalent of \$250,000. Technical Associate Director if the amount is up to the LE equivalent of \$5 million and does not involve new contractors or organizations; otherwise, Mission Director. (See item 19 in M.O.\5-4)

(SAMPLE)

EXHIBIT C
Action Memo for use of Project 0102 Unilateral Funds

ACT-0102-803-7

ACTION MEMORANDUM TO THE ASSOCIATE DIRECTOR, HRDC

FROM: HRDC/S&T

THRU: OD/S&T

SUBJECT: Unilateral Use of Project 0102 Funds - Biological
Diversity Assessment for Egypt

Issue: You are requested to approve the use of \$35,000 from HRDC's allocation of unilateral funds under Project 0102, Technical Cooperation and Feasibility Studies. These funds will finance a biological diversity assessment for Egypt.

Discussion: Section 119d of the 1986 amendment to the FAA requires AID Missions to identify actions necessary to conserve biological diversity. This information is needed to complete our current CDSS. ANE/PD/ENV has advised Congress that an assessment of biological diversity for Egypt is being planned for FY 1988.

USAID and ANE/PD/ENV have developed a scope of work for a one-month assessment to be funded through a current AID/W PASA with the U.S. Fish and Wildlife Services. The cost of this assessment is estimated at \$35,000. The assessment will produce a report which will be of use to the GOE and USAID in establishing priorities and identifying opportunities for supporting biological diversity activities.

Justification: We propose using unilateral funds from Project 0102 because there are no other available funding sources in HRDC/S&T. Also, this biological diversity assessment is legislatively mandated, and accordingly is of high priority to both AID/W and the Mission.

Authority: This request is in compliance with Mission Order 3-22, Guidelines for Use of Project Development and Support Funds. According to Section V of the Mission Order, you are authorized to approve the use of Project 0102 unilateral funds allocated to the HRDC directorate.

92

(SAMPLE)

EXHIBIT A
Funding Proposal to MIC

(MACS Office Code No.
and Serial No.)

Mr. Ahmed Abdel Salam Zaki
Administrator of the Department for
Economic Cooperation with U.S.
Ministry of International Cooperation
8, Adly Street, Cairo

Dear Mr. Zaki:

The Department of Seed Production and Improvement in the Ministry of Agriculture has requested financial and technical assistance to initiate an Oilseed Production Project with special emphasis on sunflower, peanuts and soybeans. A copy of the Ministry's request is attached.

This letter is to inform you of our intent to use \$69,000 from Project 263-0102, Technical Cooperation and Feasibility Studies, and L.E. 24,000 from the AID Activity Trust Account (FT-800), to pay for the services of a five member Oilseed Production Project design team. This team, working with Egyptian counterparts, will spend eight weeks working with Ministry of Agriculture technicians from the Agricultural Research Center and the Extension Service to develop a coordinated, multi-disciplinary, applied research program in oilseed production.

The end result of the team's activity will be a project paper, outlining the project's inputs and objectives as well as the funding level. We plan to share the completed project paper with you and your staff at MIC.

We have tentatively identified the following kinds of technical design assistance : two production specialists, two agricultural extension systems specialists, and one agricultural data and policy analysis specialist.

The funds requested will cover the services of these specialists, international travel, local logistical support and per diem. A budget breakdown is attached.

92

According to PIL no. 18, dated September 1988, if you have no substantive issues, we will proceed with this activity within two working weeks of the date of this letter.

Sincerely yours,

Associate Mission Director,
Program Development and Support

Clearances:

Tech. Office: _____
PDS/P : _____
PDS/PS : _____ (if activity relates to project design)

*Note: On the following page are two examples of budget breakdowns. They do not relate to this letter, but are meant to illustrate the form that these budget tables can take.

14

(SAMPLE)

EXHIBIT B
FT800 Activity Agreement

Dr. Alia Aycub
Project Director
Secondary Technical Nurse Training (STN) Activity
Ministry of Health
Magless El Shaab Street,
Cairo

Subject: FT 800 Trust Account
Activity Agreement
Number --
Secondary Technical Nurse
Training Activity

Dear Dr. Alia:

Thank you for your proposal regarding the subject activity, transmitted to us by the Ministry of International Cooperation on February 3, 1988. We have reviewed the proposal, and we are pleased to inform you that USAID concurs in the use of LE 350,000 from the AID Activity Trust Account (FT800) to finance this two year activity.

By this Activity Agreement, USAID indicates its agreement to obligate the amount of LE 350,000 from the FT800 Account for the Secondary Technical Nurse Training activity.

A budget is attached which the MOH should use for all fiscal reports. This budget is illustrative in nature and the Ministry of Health may adjust cost lines as necessary, without exceeding the total budget amount, in order to implement this activity. The attached budget will provide the MOH with funds to accomplish the following activities:

- Develop procedure manuals for clinical nursing in fundamentals of nursing and pediatrics.
- Procure necessary lab supplies for clinical nursing at selected STN schools that will be used as prototype training centers.
- Develop material for and print the teacher's guide, and distribute it to all STN schools in the country.
- Pay required professional and administrative fees, and process domestic travel and transportation.
- Conduct a curriculum evaluation at the end of the second year of the activity.

45

Budget Breakdown - Example 1:

| | <u>\$US</u> |
|--|---------------|
| A. Salaries (no. of persons X daily rate X no. of days) | 67,500 |
| B. Per Diem (rate X no. of days) | 25,650 |
| C. International Travel (cost X no. of trips) | 24,000 |
| D. In-Country Travel (rate X no. of days) | 3,000 |
| E. Other Costs (Secretarial, Print) | 15,000 |
| F. Overhead (USDA fixed - 27%) | <u>19,300</u> |
| Total | 174,450 |

Budget Breakdown - Example 2:

| | <u>L.E.</u> | <u>\$US</u> |
|------------------------------|----------------|-------------|
| Feasibility Studies | 45,000 | 30,000 |
| Data Collection and Analysis | 100,000 | - |
| Training | 20,000 | 40,000 |
| Consultants | 75,000 | 25,000 |
| Computer Facilities | 100,000 | - |
| Operational Expenses | <u>200,000</u> | <u>-</u> |
| Total | L.E. 540,000 | \$95,000 |

q/b

Recommendation: That you approve the amount of \$35,000 from Project 0102 unilateral funds to enable the S&T Office to conduct a biological diversity assessment.

Approve _____

Disapprove _____

Date _____

Clearance:

PDS/P: _____

PDS/PS: _____ (for project design activities)

B. Social Soundness and Women in Development Analysis

Social Soundness:

The sociocultural and political environment in which this project will be implemented is one that is dominated by economic reform and the GOE's concern with balancing the transition to a market economy with the social well-being of Egyptian citizens. The project's initiation coincides with the start of the GOE's third Five Year Development Plan. Project-supported studies and analyses will continue to assist the GOE in determining and allocating economic development assistance to the highest priority areas, as well as support the private sector in its investment decisions and technological advancement.

As with other previous TCFS projects, Project 0225 is expected to have a direct and indirect impact on Egyptian society. The project's immediate beneficiaries include Egyptian governmental and private sector organizations that will be directly involved in the implementation of feasibility and technical studies, design work, and evaluations and assessments. Working collaboratively with local and expatriate consultants and experts, these entities are expected to acquire new, or improve existing capability to undertake the necessary investigative and evaluative work that precedes sound investment decisions. In addition, Egyptian professionals attending off-shore conferences, workshops and seminars will be exposed to recent developments in various technical, scientific, management and policy areas that directly relate to the country's economic development.

The indirect, or long-term impact that is likely to accrue will be in the form of specific investments that are made as a result of the studies and analyses funded by the project. Following the experience of its predecessor, Project 0225 will finance feasibility and design studies that are expected to result in the implementation of specific developmental projects and programs. Also, selected technical assistance activities that succeed in demonstrating the viability of a certain developmental approach or technology are likely to be replicated on a larger scale throughout the economy.

Technical assistance and PVO activities proposed for project funding will have their own social soundness analysis as an integral part of the proposal. The GOE and USAID have agreed that PVOs are an effective means in assisting community development, due to their ability to introduce new techniques and to reach the grass-roots level. PVO activities under Project 0225 are generally expected to benefit poor and disadvantaged groups, well as specific sectors of activity, such as the private sector and the environment.

IESC's work with private sector companies is expected to lead to a spread effect of improved efficiency and productivity, resulting in increased employment opportunities and better service to Egyptian citizens. Enhanced consumer confidence is expected to provide gains to

9/2

Egyptian firms and their employees.

Women in Development (WID):

Women are critical to economic development. They are farmers who produce a substantial amount of the country's food. They play a primary role in family health, nutrition, education and environmental awareness. Women also are microentrepreneurs who participate actively in small scale industries and other income-generating activities. Yet for the vast majority of women in Egypt, as is the case in other developing countries, there is limited opportunity to enhance their capabilities, control their income and access credit.

It has been AID's systematic policy to support greater efforts to integrate women into the development process on the assumption that the key to economic growth is enhancing human resources development, including the ability of individuals to take risks, make choices and participate fully both in the market place and in community development. USAID is committed to giving women a better chance to use their initiative and ability to participate fully in their country's development. Likewise, through its legislation and political leadership, the GOE has confirmed the need to enhance and support an active role for Egyptian women.

Through its multi-sectoral and multi-disciplinary activities, Project 0225 is expected to be a source of funding for activities that support WID initiatives and objectives. Activities that address these objectives, and tailor them to Egypt's development priorities are expected to be financed under the project. These activities are likely to be in areas such as the environment, pluralism, credit, the private sector, etc.

Under the PVO component, PVOs will be encouraged to identify specific measures and mechanisms to enhance the participation of women in their activities. IESC activities supported by Project 0225 will encourage more active participation of women. Targets of women-owned or managed client businesses will be developed. Disaggregated data on IESC activities will be collected.

C. Institutional and Administrative Analysis

This analysis reviews the characteristics and administrative capability of the Ministry of International Cooperation (MIC), as the primary GOE counterpart for this project. There will be other implementing agencies directly involved with project-funded activities, but given the nature of this project, they are not known at this time.

MIC is the Egyptian Government authority that is responsible for initiating, coordinating and managing the economic assistance programs provided to Egypt by a variety of foreign donors. In this capacity, the Ministry handles all international loans, grants and assistance donations provided to the Egyptian society by foreign governments and funding organizations. Because of its unique role within the GOE, MIC also is responsible for reviewing the implementation of projects that receive donor grants and loans to ensure that they are complying with stated objectives. Moreover, MIC plays a key role in liaising and matching proposed local investment projects with foreign sources of funds.

MIC is composed of seven operational sectors, or departments: The Minister's Office, the United States Cooperation Department, the Europe Cooperation Department, the International Funds Organizations Cooperation Department, the Arab/African Cooperation Department, the Asia/Australia/Canada and Latin America Cooperation Department, and the Financial and Administrative Department. An eighth department is the Follow-up and Monitoring Unit, which will house the new automated information center currently being established with technical and financial support from USAID. The total number of employees currently working at MIC is approximately 350.

The Department of Economic Cooperation with the United States is charged with the negotiation, management and monitoring of the AID Economic Assistance Program in Egypt. The Administrator of the Department, who has the rank of First Under-secretary, is the GOE counterpart for Project 0225. This department is under-staffed, given its mandate to oversee the entire AID/Egypt portfolio. In addition, the hierarchy and chain of command is highly centralized; the Minister is involved in project-specific issues, and has to approve individual activity proposals seeking TCFS funding.

Under Project 0102, funding proposals originating from USAID are reviewed by the appropriate Department staff assigned to the project. After this initial review, the staff prepares an action memorandum to the Administrator recommending his approval/disapproval of the proposed activity. The Administrator makes his recommendation and then prepares another memorandum for the Minister's final decision. This highly centralized decision-making process has resulted in delays in MIC's review and approval of project-funded activities.

As a consequence, in September 1988, USAID reached agreement with MIC that the latter would be given two working weeks in which to review activity proposals and provide justifiable objections if appropriate. In the absence of MIC objection, the Mission proceeds with the activity. This two-week notification system (not applied to PVO activities) improved the pace of project implementation, but has lately become a source of contention between the Ministry and USAID. While MIC withholds its non-objection until the GOE technical implementing entity endorses the activity (if appropriate), or until budgetary issues are resolved, the Mission applies the letter of the 1988 agreement and proceeds with the activity after responding to (but not necessarily addressing) MIC's concerns.

It will be necessary under Project 0225 to work out a system whereby project implementation is not slowed down due to MIC delays in reviewing and agreeing with proposed activities, and MIC sensitivities are not hurt by their perception of being an unequal partner in project management. Also, part of the problem may lie in the fact that MIC staff charged with "backstopping" these kinds of projects (TCFS) generally tend to have an incomplete, or inadequate, understanding of their purpose and objectives. In an effort to redress this situation, PDS/P will undertake an intensive orientation of MIC staff involved with the management of Project 0225 on project goal, purpose, objectives and the types of activities expected to be implemented.

EXECUTIVE SUMMARY

The International Executive Service Corps (IESC) Project will expand on the successful activities and experience gained by this non-governmental organization (NGO) in over 11 years of operations in Egypt. The purpose of the three year grant project is to enhance the competitiveness of the Egyptian private sector by improving business skills and productivity of private enterprises. This will be accomplished through a program of Volunteer Executives (VEs) who, through the IESC, contribute their time and special expertise to upgrade capabilities of participating firms in Egypt. The technical assistance provided will be short-term (ranging in length from 2 weeks to 3 months) and cover technical and managerial areas in a wide variety of businesses ranging from ceramics to dairy enterprises. It is anticipated that some 345 VE project activities will take place over the life of project. The budget for this major component is approximately \$8.15 million, \$7.1 million of which will be provided by AID.

The project will also finance collateral services to be carried out by volunteers and professional staff at the IESC headquarters in the United States. These will seek to identify and promote trade and investment opportunities between Egypt and the U.S. Included in this component are the (1) American Business Linkage Enterprise, which provides information on potential for new or expanding Egyptian enterprises; (2) Joint Venture Search, which promotes U.S. - Egyptian business investment opportunities; (3) Trade Enhancement Program, which facilitates U.S.-Egyptian import/export opportunities; and (4) Quoting Service, which provides price quotes on U.S. goods to be imported into Egypt.

The total LOP costs for the project are estimated at \$9,189 million, \$8 million of which will be provided by USAID through a cooperative agreement with IESC. The remainder will be provided by clients as local currency contributions. The in-kind contribution of VE salaries by IESC is expected to exceed the total of AID and client contributions. Estimates of in-kind contribution by IESC are based on an average daily salary of \$420 per day.

LOP SUMMARY COST ESTIMATES (\$)

| COMPONENT | FY 91 | | FY 92 | | FY 93 | | PROJECT TOTALS | TOTALS |
|---|---------|--------|---------|--------|---------|--------|----------------|---------|
| | AID | CLIENT | AID | CLIENT | AID | CLIENT | | |
| 1. In-country Mgt. Exec. Service | 2,205.5 | 315 | 2,371.5 | 345 | 2,537.5 | 375 | 7,424.5 | 1,038.0 |
| 2. U.S.-based Trade & Invest. Service | 108.4 | 27.2 | 140.6 | 35.5 | 172.7 | 43.8 | 421.7 | 106.5 |
| 3. Evaluation/ Audit | | | | | 70.0 | | 70.0 | |
| 4. Inflation | | | 169.2 | 21.5 | 223.8 | 25 | 393.3 | 46.5 |
| TOTAL | 2,313.9 | 342.3 | 2,681.3 | 402 | 3,004.0 | 443.8 | 8,000.0 | 1,198.0 |

I. BACKGROUND AND RATIONALE

A. Introduction

Egypt faces major challenges in the next few years. Foremost among these is changing an economic system characterized by a tradition of controls and restrictions on private sector growth. Egypt has a long history of state dominated, inward-oriented economic strategies that have discouraged exports and favored import substitution. These have resulted in distorted pricing, excessive regulation, lack of private investment, preferential treatment for public enterprises and a lack of export-oriented production and marketing incentives. The cumulative effect of these controls is a noted reduction in productivity.

Important indices of the economy show declining incomes and increased unemployment. The labor force continues to grow faster than the economy's ability to create jobs, and the gap between actual investments and what is needed to achieve full employment of the labor force is growing. The unemployment rate is estimated at 20 percent of the workforce, an estimate that was made before the 1990 Gulf Crisis. Widespread poverty is a growing problem in Egypt, with 1986 estimates indicating that 15 to 20 percent of urban and rural households have annual expenditures of LE 230 (\$70) per capita or less. This places 15 to 20 percent of the population below the minimum level required to maintain an acceptable standard of living.

In recent years, there have been efforts to liberalize the economy, a move which is supported by President Mubarak who has encouraged expansion of the private sector in the economy. In January, 1991 a significant step was taken when the restrictions on foreign exchange markets and interest rates were lifted.

Both the GOE's 5-year development plan (1987-1992) and USAID's FY 1989 COSG update address broad development concerns, recognizing that the development of private enterprise could be the "engine of growth" to generate future expansion in income and employment.

Because of state control and limits on the private sector, many Egyptian private enterprises are unable to fully respond to emerging opportunities. They are also constrained by a lack of management skills in areas of basic business practices. Many firms lack the ability to undertake basic financial analysis or manage cash flow. In other cases, plant procedures, basic planning and market analysis do not exist, and inappropriate equipment technology in production processes may be employed.

B. Five Year Development Plan (1987-1992)

The current GOE plan contains four major goals, three of which are related to the project:

1. To increase production and productivity levels;
2. To strengthen the self-sustaining growth of the economy;
3. To develop national management capabilities and strengthen the role of the private sector.

The project seeks to develop and expand entrepreneurial trade and investment activities in the private sector. It will provide short-term technical assistance to firms in the private sector to help resolve technical and managerial problems. Project activities will address basic management constraints faced by many firms in Egypt and offer assistance to these firms in becoming more productive. The project will also promote trade and investment and encourage greater commercial and business exchanges between

104

the United States and Egypt. The project will promote access to U.S. equipment needed to increase productivity. Joint venture and other investment opportunities between Egyptian and United States businesses will be identified. By improving and strengthening the business sector, the project would contribute to an increase in productivity, expansion of the economy, and greater employment opportunities.

C. Relationship to the CDSS FY 1989 Update:

The project is consistent with USAID's CDSS strategy of encouraging greater involvement by Private Voluntary Organizations (PVOs) in the program. PVOs such as the International Executive Service Corps, play an important role in mobilizing human resources from the U.S. to come to Egypt in order to assist the private sector to improve economic productivity. The 1989 CDSS update indicates that the USAID program will focus on developing technical and management capacities of the private sector to undertake sustainable development activities. This is one of the primary objectives of the proposed project.

The CDSS update also emphasizes a need to improve the climate for private investment, focusing on improving the key sectors of agriculture and private industry along with services to support these sectors. By encouraging private sector growth, the strategy supports measures which liberalize investment and business activities. Project activities to transfer technologies and build private sector capabilities are consistent with this strategy.

D. Other Donor Activity

Other bilateral programs of short-term technical assistance to private enterprise are supported in Egypt by the governments of Canada, England, Germany and the Netherlands. The implementation of these programs has strong parallels with the work of IESC in terms of short-term technical assistance provided to small, medium and large-sized businesses by retired executives.

Also there is a multilateral program in Egypt supported by the United Nations Development Program (UNDP). Through its 48 member states, the UNDP provides technical assistance on a short-term basis to the private sector in diagnosing business problems, developing new product lines, and providing advice on joint venture possibilities.

Although similarities exist between the activities of those donors and AID's project, there is no duplication or conflict in their respective efforts. Given the growing demand for this type of assistance in Egypt, the programs are mutually supportive.

2. A History of the IESC Program in Egypt

IESC is a USAID registered PVO which first began operating in Egypt in 1979. USAID support for IESC did not begin until two years later when a cost reimbursement system was established as an experimental intervention to encourage clients to use IESC services. The provision of short-term technical assistance by retired U.S. businessmen was found to be well suited to local business needs. One of the innovative aspects of the experiment was to have client businesses pay a portion of the operating costs in bringing U.S. executives to Egypt. The IESC completed 10 projects in 1981 and 33 projects in 1982.

USAID financing for IESC continued under the 1983 Business Support and Investment Project (263-0159). BSIP supported a small technology-transfer activity which assisted a modest 80 private sector clients over a period of four years. The IESC element of BSIP was carried out under a USAID cooperative agreement with IESC. The Project Agreement between USAID and the GOE as grantee defined general implementation and monitoring responsibilities by IESC and USAID. The role of IESC in project implementation was to review client needs, evaluate each request for assistance, determine viability of volunteer assistance, recruit the volunteer, establish a project plan between the client and volunteer, and monitor the progress of each client including a final client/IESC evaluation. Other important features included: (a) client contribution to finance technical assistance, a cost which is normally fully borne by USAID; (b) a plan by IESC to continuously advertise and promote its services in the Egyptian private sector in order to expand services; and (c) placing the cost of IESC service within reach of private sector companies.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO EGYPT

August 10, 1992

ACTION MEMORANDUM FOR THE DIRECTOR

FROM: Robert Jordan, AD PDS (A) 

SUBJECT: Technical Cooperation and Feasibility Studies II
(263-0225)

Proposed Action: Your approval of the Technical Cooperation and Feasibility Studies II Project Paper (TCFS) is requested.

Discussion: The TCFS II project is a follow-on to a long series of TCFS projects, most recently project 263-0102, that have financed a variety of activities of mutual benefit to Egypt and USAID/Cairo. The seven year \$50 million grant will finance the foreign exchange and local currency costs of two categories of activities:

- Feasibility, technical and sector studies; design and pre-project activities; sector assessments, evaluations and audits; technical assistance; conferences, seminars and workshops; and activities that accelerate the implementation of the AID program in Egypt (to include assisting the mission in carrying out its implementation, monitoring and accountability responsibilities); and
- private voluntary organization (PVO) activities.

The Ministry of International Cooperation (MIC) is our direct GOE counterpart for project implementation. As its contribution to this project, the GOE is expected to make available the amount of \$30 million (Egyptian Pound equivalent) from the AID Activity Trust Account.

The TCFS Project Paper was reviewed by the Executive Committee on July 30, 1992. All design issues were resolved, and changes requested during the Executive Committee review have been incorporated into the revised PP. LEG has addressed the concerns on 611a and procurement planning which were raised at the Executive Committee in a separate memo. The substantive changes to the PP which have been made as a result of the Executive Committee meeting are:

- 1) the deletion of "Merged Account" funding to replace potential losses (of FY 1985 and prior year funds) from completed projects, but for which commitments are still outstanding. We will have to revisit this issue after AID/W has provided guidance on how to deal with this matter. The TCFS II project will contain a \$2 million contingency line item which could be used to cover such costs.

2) the use of the phrase "improving the efficiency of public institutions" in lieu of references such as "strengthening democracy," "governance," and "political reform."

Per State 243642, the Congressional Notification will be forwarded to Congress by August 7, 1992.

Recommendation: That you sign the attached (1) facesheet approving the Technical Cooperation and Feasibility Studies project, (2) the project authorization, and (3) the Gray Amendment certification, Annex 5 of the Project Paper.


Approval

Disapproval

8/12/92
Date

Clearance:

AD/TI: PdelBosque 2045 8/6/92
AD/FM: DFranklin 8/6/92
LEG(A): VMoore 8/9/92
CS: FWill 8/6/92
D/DIR: GWachtenheim [Signature]

AD/DR: PThorn [Signature]
AD/HRDC(A): MSchmidt [Signature] 8/6/92
AD/AGR: DClark [Signature] 8-6-92
AD/EAS(A): PMulligan [Signature]

memorandum

DATE: August 5, 1992

REPLY TO
ATTN OF: LEG, Vicki Moore ✓

SUBJECT: Technical Cooperation and Feasibility Studies II Project
(TCFS) Section 611(a) Review and Procurement Plan

TO: DIR, Henry H. Bassford

During the recent executive committee review of the subject project paper, you requested that LEG review the Section 611(a) and procurement plan requirements for project papers related to this type of project. Based on my review of the relevant requirements, I have determined that the information provided in the project paper is adequate. Following is a description of the requirements and the Mission's compliance therewith.

I. Section 611(a).

Section 611(a) of the Foreign Assistance Act of 1961, as amended, states, in relevant part:

"Sec. 611. Completion of Plans and Cost Estimates. - (a) No agreement or grant which constitutes an obligation of the United States Government in excess of \$500,000...shall be made for any assistance...-

(1) if such agreement or grant requires substantive technical or financial planning, until engineering, financial, and other plans necessary to carry out such assistance, and a reasonably firm estimate of the cost to the United States Government of providing such assistance, have been completed;..."

First of all, this portion of the statute does not require a certification. There has been confusion in the Mission recently regarding the certification requirement. This requirement relates only to Section 611(e) which requires that when a capital, assistance project, estimated to cost in excess of \$1,000,000 is authorized, AID must provide a certification from the principal USAID officer stating that the country has the financial and human resources capability to effectively maintain and utilize the project. The certification requirement is stated in this portion of the statute, but not in Section 611(a). Section 611(e) is not relevant to the TCFS Project as the TCFS Project is not a capital assistance project.

With regard to the requirements under the relevant Section 611(a), I have stated in section A, item 4 of the Project Statutory Checklist, which is Annex 3 to the project paper, that required plans and cost estimates have been prepared at the project paper stage. This is all the representation that is required, in conjunction with the cost estimates prepared by the various Mission

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

offices related to proposed activities under the Project.

The nature of the Project requires that it be flexible enough to add or delete proposed activities depending on the needs of the AID program and portfolio, as well as events that occur in Egypt which will impact on the nature of development activities undertaken over the next seven years. Attached is a list of activities proposed to begin in year one of the Project which was prepared by PDS/PS. Each activity has an expected cost figure next to the activity. These figures are based primarily on estimates provided by the requesting project office, and/or by the Office of Project Support.

Of course before an activity is actually undertaken, a final cost projection will be completed within the Mission and a determination made as to whether or not, given all the other commitments previously made under this Project, sufficient funding is available. The major concern that Section 611(a) seems designed to address and alleviate is the possibility that USAID will undertake a project without having fully assessed the costs and, consequently, will not have enough funds available to complete the portion of the project to be financed from AID funds. This is not a possibility under our Project as each activity is discrete.

If it appears that available funding has been committed or expended and additional activities are proposed, either additional funds will be added to the Project, if available, or the additional activities will not be done under this Project. Given the concerns addressed by 611(a) and the nature of this Project, the level of financial and technical planning undertaken by the Mission is adequate.

II. Procurement Plan.

The Procurement Plan section of the project paper is necessarily very brief. As stated above, this Project includes many discrete activities, which may or may not be undertaken, depending on need and other considerations discussed previously. Until a decision is made regarding undertaking a specific activity, the procurement needs and considerations cannot be determined. At the time a decision regarding undertaking a specific activity is made by USAID and the GOE, a procurement plan for that activity will be formulated in accordance with AID Handbook 3, Appendix 3H Section C. of Appendix 3H, page 3, states that:

"procurement matters should be given general consideration as early as the PID stage. By the time the Project Paper is presented, a procurement plan, which is the outgrowth of such considerations, should be significantly advanced and assessed for its feasibility."

Pages 3H-4 and 3H-5 state Preliminary Procurement Planning Considerations. These considerations include questions such as: "What specific commodities [or technical assistance] are needed?"

Which participant or agency will do the procuring? What procurement procedures will be used?" These types of questions cannot be answered at this time as the specific activities to be undertaken under this Project are not currently known. Procurement planning will occur when a decision is made by the GOE and USAID to undertake each separate activity under the Project. Because of the nature of the Project, the procurement planning done thus far is as comprehensive as it can be. Additional planning and procurement will be conducted in an orderly manner which satisfy the AID Handbook guidance requirements, once specific activities have been committed to.

III. Conclusion.

Based on the above discussion LEG believes the Mission is in compliance in its project design for the Technical Cooperation and Feasibilities II Project with the Handbooks and AID statutory requirements related to Section 611(a) and procurement planning.

MEMORANDUM

DATE: July 20, 1992

TO: Technical Cooperation and Feasibility II Project Files
263-0225

FROM: Mary June, PDS/PS

SUBJECT: Project Cost Estimates

As part of the design work for the TCFS II Project, an analysis of projected budget requirements under the 0225 Project was undertaken. The analyses focussed on the dollar uses only, and examined expenditures under the predecessor 263-0102 Project, requests for budget resources submitted from various technical offices, and projections of out year requirements. Attached are the tables summarizing this information.

cc:MElShafei; PDS/P
RJordan, PDS/PS

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- 112

**PLANNED AND ILLUSTRATIVE DOLLAR USE ACTIVITIES
FOR TECHNICAL COOPERATION & FEASIBILITY STUDIES II PROJECT
(\$000)**

| Activity | Year 1 | Year 2 | Year 3 | LOP |
|--|------------|------------|------------|--------------|
| <u>I. FEASIBILITY & OTHER STUDIES</u> | | | | |
| - Strategy for rational health financing & pharmaceutical pricing | 120 | | | |
| - Water/wastewater tariff study | 250 | | | |
| - Agr sector macro-economic policy constraints | 50 | | | |
| - Impact of Agr reforms | 80 | | | |
| - Socio-economic impact of consumer subsidy | 50 | | | |
| - Review of USAID portfolio to identify opportunities for improving environmental protection | 40 | | | |
| - Environmental risk analysis | 60 | | | |
| Sub-total | <u>650</u> | <u>650</u> | <u>650</u> | <u>5,000</u> |
| <u>II. PROJECT DESIGN</u> | | | | |
| - Judicial Exchange & Support | | 50 | | |
| - Privatization Support | 100 | | | |
| - Scoping multi-donor effort to strengthen GOE central environmental organization | 40 | | | |
| - Environ. Policy & Planning | 120 | | | |
| - Telecommunications V | 100 | | | |
| - Secondary Cities W & WW | 300 | | | |
| - Cairo Wastewater II | 400 | | | |
| - Alex Sewerage II | | 200 | 300 | |
| - Child Survival II | | | 100 | |
| - Agr Technology Imp. | | 400 | | |

| Activity | Year 1 | Year 2 | Year 3 | LOP |
|--|--------------|--------------|--------------|---------------|
| - Agr Policy Reform | | 600 | | |
| - Water Resources Mgt. | | | 250 | |
| - Other | | | 600 | |
| Sub-total | <u>1060</u> | <u>1250</u> | <u>1250</u> | <u>7,000</u> |
| <u>III. EVALUATIONS/ASSESSMENTS</u> | | | | |
| - Host Country Contracting | 250 | | | |
| - Environmental assessments of GOE enterprises | 500 | | | |
| - Impact evaluation of Public Sector CIP | 100 | | | |
| - Other | 150 | 500 | 500 | |
| Sub-total | <u>1000</u> | <u>500</u> | <u>500</u> | <u>4,000</u> |
| <u>IV. TECHNICAL ASSISTANCE</u> | | | | |
| - Accounting & financial mgt. | 500 | 200 | 200 | |
| - Privatization bridge funding | 250 | | | |
| - Participant training follow-up and evaluation | 100 | 100 | 100 | |
| - Expanding role of Egyptian women | 100 | 100 | 100 | |
| - Other | | <u>500</u> | <u>500</u> | |
| Sub-total | 950 | 900 | 900 | <u>7,000</u> |
| <u>V. PRIVATE VOLUNTARY ORGANIZATIONS</u> | | | | |
| - IESC | 1,500 | 1,500 | 1,500 | |
| - Other PVOs | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | |
| Sub-total | 4,500 | 4,500 | 4,500 | <u>22,000</u> |
| <u>VI. CONFERENCES, SEMINARS</u> | | | | |
| | 100 | 100 | 100 | 1,000 |

VII. FACILITATE AID PROGRAM

| | | | | |
|------------------------------|------------|------------|------------|--------------|
| - Field Monitoring Advisor | 150 | 150 | 150 | |
| - Policy Reform Program Mgr. | 150 | 150 | 150 | |
| - Evaluation Officer | 150 | 150 | 150 | |
| - Financial Markets Analyst | 150 | 150 | 150 | |
| Sub-total | <u>600</u> | <u>600</u> | <u>600</u> | <u>4,000</u> |
| TOTAL | 8860 | 8500 | 8500 | 50,000 |

off:mary's table:7/20/92

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Technical Cooperation and Feasibility Studies Project (0102)

I. Summary of Dollar Uses

This is an 11 year Project with a PACD of 8/8/94. Of the total \$43,605,000 obligated to date \$36,361,000 has been committed as of 3/30/92. Dollar commitments as of mid-May 1992 have been broken down into five functional categories:

| | <u>\$(000)</u> |
|--|----------------|
| A. Seminars, Conferences, Travel | 467 |
| Short-term training | <u>123</u> |
| Sub-total | 590 |
| B. Mission Program Development & Support | 12,274 |
| Audit | <u>351</u> |
| Sub-total | 12,625 |
| C. GOE Program Development & Support | 1,977 |
| Public Sector activities | <u>10,799</u> |
| Sub-total | 12,776 |
| D. Mission Support | |
| Staff (3 PSCs) | 986 |
| Establish Dem Office | <u>477</u> |
| Sub-total | 1,463 |
| E. Projects | |
| PVO activities | 10,430 |
| Private sector (NGO) projects | <u>3,510</u> |
| Sub-total | 13,940 |
| TOTAL | \$41,394 |

II. Analysis of Dollar Uses

A. The use of TCFS funds for seminars, workshops, short term training comprised a small percentage of overall project resources (1.4%). It's worthwhile noting, however, that all sectors made use of these funds to sponsor travel to relevant conferences, etc.

B. Nearly \$9.5 million of the Mission Program and Support category was used to finance studies or procurement for power sector projects. Another \$2.1 million financed TA for other studies related to physical infrastructure activities in the DR directorate. Most of the remaining \$700,000 financed TA for private sector studies. Commitments in this category comprised about 30% of the project total to date.

C. A category of GOE Program Development and Support activities was included to show TA provided to public sector entities or

efforts that did not fall under a particular project. These were all initiated with requests from MIC, except one request for a \$653,000 road feasibility study from the Ministry of Transportation.

The sub-group of Public Sector Activities includes project-like activities that financed TA or other support for public sector entities. The largest activity supported here was the Joint Working Group health research program (\$9,533,000). Cairo Airport activities were also included in this sub-group, as was an automated insurance system for the Ministry of Social Affairs.

Commitments in this category constitute approximately 31% of the project total to date.

D. Mission Support expenditures include salaries for an evaluation officer, contractor liaison officer, and financial markets advisor. About 3.5% of project funds have been committed for USAID support so far.

E. The Project category includes discrete project activities which have been funded under TCFS for political or administrative reasons. Within the PVO sub-group, the largest recipient has been the IESC Project (more than \$5.3 million). Other recipients include Family to Family, CARE, HOPE, PRIDE, Africare, AALC, AMIDEAST and SCA. Total funding for PVO projects is about 25% of TCFS commitments to date.

The other sub-group in this category is private sector project activities. This includes Partnership in Development (nearly \$1.9 million); USIPO (and the related U.S. Business Council) Project which have received approximately \$1.3 million; and the Accounting and Auditing project (\$300,000).

The amount of funds that have supported discrete projects, both PVO and private sector, constitutes about one-third of the TCFS Project total to date.

III. Implications for Future Needs

The financing of Egyptian attendance and participation in a wide variety of conferences, seminars, workshops and short-term training courses is sure to continue. If anything, with the addition of two new programs (Environmental and Governance), the demand for TCFS II resources is likely to increase.

Since the Mission is not allocated PD&S funds from AID/W, the need for this category of resources will continue to be high. The GOE will likewise require a high level of support for design and implementation of developmental activities. Most of the funds for these two categories will, of course, finance TA for bilateral project activities, but there will be a continuing need for collateral but independent needs on the part of both the GOE and USAID. It is probable, however, that there will be a

decrease in the level of funds supporting public sector project-like activities. For example, TCFS funding for the Joint Working Group activity will be discontinued at the PACD.

As is appropriate, USAID is taking steps to reduce the amount of TCFS funds that will go to staff support for the Mission.

Although a bilateral PVO Support Project has recently been started, its resources are limited and there will continue to be a strong demand for financing PVO project activity. Private sector projects activities, on the other hand, will increasingly be financed as separate projects. USIPO, for instance, will continue to receive support (and is the implementing agency) under the new Export Enterprise Development Project. The program of activities begun under the Partnership in Development Project will be continued under the proposed Privatization Project, a separate project now under design.

In terms of the experience under 0102 vis-a-vis continuing needs, the new TCFS II Project will probably utilize a greater proportion of funds on program development and support for both USAID and the GOE; PVO projects; and seminars, conferences, etc. The proportion of support going to either public or private sector project-like efforts will likely decrease.

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118