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PROJECT ASSISTANCE COMPLETION REPORT
SECTOR DEVELOPMENT & SUPPORT GRANT No. 263-0161.06
1982 - 1991

This (PACR) has been prepared in accordance with the requirements of AID Handbook 3 Appendix 14 A, and Mission Order 3-17, dated August 7, 1988.

1. Project Purpose and Description:

The Project goal was to assist in the establishment of a functioning national system of decentralized planning, budgeting and project implementation for local development.

The Project purpose was to assist the GOE further define and achieve its policy objectives of economic and administrative decentralization.

It was envisioned that this purpose would be accomplished through provision of training, technical assistance, equipment, data analysis and evaluations for local governorates and the Ministry of Local Administration (MLA).

The expected outputs were: (a) trained local administration personnel and establishment of a national system for in-service training; (b) a better understanding of decentralization processes and possible solutions to problems and constraints; (c) new and/or improved systems for planning and implementing local development activities; (d) strengthened GOE decentralization policy formulation; (e) strengthened GOE organizations for coordinating and supervising implementation of decentralization legislation and policy.

Activities financed under SDS fell under five broad categories: technical assistance; commodities; evaluation and research; training; and technical assistance and equipment for the Sakkara Training Center (STC). SDS funds were programmed by the Ministry of Local Administration (MLA) and the LD II Technical Secretariat.

2. Summary of Contributions:

	Planned	Actual
AID Contributions[1] ($000s)	7,340	7,167
GOE Contributions (L.E. 000s)	5,000	(5,000)

[1] Modified SDS budget (See Project History below)

The grant agreement called for the GOE to contribute: LE 0.5 million in training, LE 1.5 million in commodities and LE 3.0 million for the Sakkara Training Center. The GOE has contributed LE 125,000 in training (under the TBG program) and more than LE 7 million for the construction of the Sakkara Training Center. At the completion date, the Sakkara Center is operational and an additional LE 2 million was provided by the GOE for structural improvements.

3. **Detailed Budget by Line Item:** ($000s)
(End of Project Status, AID Contributions)

Elements	Obligations	Disbursements[2]
Technical Assistance	1,468.7	1,468.7
Commodities	0.7	0.7
Evaluation and Research	1,382.8	1,220.2
Training	4,105.4	4,105.4
Sakkara Training Center	382.4	372.4
Total	7,340.0	7,167.4

4. **Project History and Background:**

The Sector Development and Support Project (SDS) is one of five component projects approved in FY 1982, known collectively as Decentralization Sector Support (DSS I), the predecessor of the LD II Program.

The SDS Project was conceived as a support activity bridging the four other projects in DSS I Development Decentralization I (DD I), Basic Village Services (BVS), Decentralization Support Fund (DSF), and Neighborhood Urban Services (NUS), particularly in the areas of training, and research and evaluation. After the completion of DD I, NUS, and BVS; SDS continued to provide support in these same areas complementary to the LD II Program.

In May 1984, AID and the GOE signed the SDS Grant Agreement obligating $10.0 million. Due to delays in the completion of the construction of the Sakkara Training Center (STC), the project PACD was extended in September 1985 from June 30, 1987 to September 30, 1989.

Due to delays in approving the implementation of the Training Block Grant (TBG) activity and delays in staffing and financing the operations of the Sakkara Training Center (STC), the PACD of SDS was extended a second time in August 1989, bringing the project activity completion date to September 30, 1992.

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[2] Including accruals

In July 1990, $3,810,000 were transferred from the Sakkara Center line item to other line items within the SDS budget. This budget modification was undertaken when MLA shifted its priorities away from the Sakkara Center. The bulk of the transferred funds were used to fund technical training for the urban and provincial governorates in keeping with the purpose of SDS.

In May 22, 1991, the project life was reduced and the PACD was revised from September 30, 1992 to September 30, 1991, with $2.66 million deobligated from SDS and reobligated into LD II

The Sector Development & Support (SDS) Project ended on September 30, 1991 after seven years of implementation.

5. **Implementation and Accomplishments:**

5.1. General Project Objectives: SDS was designed to support, in conjunction with four other USAID projects, a national trend towards fiscal, and indirectly administrative and political, decentralization. The basic assumption in the design of these projects was that the decentralization trend started in the 1960's would continue and be significant. This assumption did not hold true during the life of the project because of external factors. However, by the last year, much of decentralization and change in local administration law was again being debated.

It is generally believed that the policy of fiscal and political decentralization suffered a slight set-back in the late 80's due to a mounting need for central government to control the budget deficit and continued security concern.

Therefore, while SDS has provided some useful support to decentralization efforts under the DSS I and LD II Programs, and the SDS training component has increased local capacity and management; the general objectives of facilitating fiscal and administrative decentralization were not realized due to the decentralization trend in the GOE local development policies.

5.2: Sakkara Training Center: More than 40% of the original SDS budget was allocated to technical assistance necessary to set-up the operations of an important local government training center that the GOE was building at Sakkara, 22 Kilometers south of Cairo. Construction of the Sakkara Center (funded totally by the GOE) was considerably delayed, and when the center was finally ready to start operations, the management of the center was transferred from the Organization of Reconstruction and Development of Egyptian Villages (ORDEV) to the Ministry of Local Administration (MLA). MLA, at the time, did not want technical assistance to set-up the

management and training systems for STC. Furthermore, MLA, did not acquire appointed staff or a regular budget for the center. Given this lack of GOE commitment, it was decided to transfer the STC funds to other ongoing training activities at the governorate level. These resources were effectively applied and were complementary to LD II for this purpose.

5.3: Training: SDS initiated the Training Block Grant (TBG) activity which is now operational under the LD II Program. To date, under the TBG activity, 32,305 trainees received training courses in the areas of local development management, operation and maintenance and PVO administration. The trainees included governorate officials, local elected leaders and PVO members. Sixteen percent of all trainees were women. The total amount of TBG funds disbursed to date is $0.87 million. A recent assessment of the TBG activity was very positive and recommended that the LD II Program and GOE continue to support it.

SDS also funded training courses delivered through the TA contractors for the urban and provincial governorates for a total of $3.05 million. In addition to in-country training SDS funded a number of international travel and observational study tours for local government officials.

In addition to the TBG activity, SDS funded TA for training activities in the urban and provincial governorates and other local development related training such as an observational study tour to India for GOE governorates wastewater engineers.

5.4: Research and Evaluation: SDS provided funds for a number of research activities, assessments and pilot activities, notably:

a) The Rural Small Scale Enterprise (RSSE) pilot credit activity: This pilot credit activity disbursed 9,519 loans at market interest rates for a total amount of $2.53 million[3] in the towns and villages of the governorates of Damietta and Sharkia. A recent assessment of the activity highly praised its accomplishments. The pilot was transferred to the Finance and Investment Office and expanded into the Small Enterprise Credit Project. Successfully piloting and spinning off the rural small credit activity is a major accomplishment of SDS. Its non-government commercial bank approach and market interest rates were criticized when it was conceived, but it successfully proved its market oriented approach.

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[3] Under SDS the RSSE project received only $750,000 in credit funds, however have turned over a number of times and the total amount disbursed in loans is now equivalent to $2.53 million.

b) Village Council Effectiveness Study: This study of local elected councils was undertaken with the assistance of a U.S. local government consultant in 1991; it described the position of LD programs and recent GOE laws on the participation and effectiveness of locally elected councils. It involved researchers at regional universities.

6. **Lessons Learned and Recommendations**:

a) Given the delay in the construction of the Sakkara Training Center (See: Implementation, above), future projects funds should not be allocated to support operations of GOE projects under construction without firm national commitments.

b) The problems with the Sakkara Training Center activity also demonstrated the need to include a condition precedent in the grant agreement to appoint regular staff and budget for the operations of the center. While the Center was operational for about 18 months, its resources were off-budget and not sustainable. This is now turning around. The GOE's interest is to use the center primarily for in-service training of popular and executive local government councils.

c) Under the Training Block Grant activity PIL, using AID regulation, GOE officials were not permitted to receive honoraria for providing training during official working hours.

The assessment team and the TA contractor for the activity found that some training courses were best carried out by GOE officials. Government of Egypt laws and regulations allow officials to receive honoraria for performing work outside their normal scope of duties (even if such work is during official working hours). Moreover, it is common practice for GOE officials to perform duties outside their normal scope of work and receive such payments. Therefore, the honoraria regulations in the TBG/PIL did not adapt well to GOE regulations and practices or facilitate institutionalization of the TBG activity.

Hence, in training programs where it is anticipated that GOE officials will provide a substantial proportion of the training, the source of funds should be from the GOE. In the SDS case, only 5% of the funds were GOE sourced.

Alternatively, if justified, a waiver of the USAID honoraria regulations should be sought at the project design stage.

7. **Covenants:**

The SDS Project Grant Agreement contained a covenant that called for the establishment of an evaluation program as part of the project.

An evaluation of major SDS activities was carried out in conjunction with the FY 1989 LD II Mid-Term Assessment. A Mid-Term assessment of the RSSE activity was carried out in October 1990 and a Mid-Term assessment of the Training Block Grant Activity was carried out in November 1991. Therefore, the SDS covenant was fully met.

8. **Recommendation:**

That the status of the project be designated by the Mission Director as completed with no formal monitoring.

Approved: _____

Disapproved: _____

Date: 4/22/92

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