

PD-ABF-521

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT PAPER

AMENDMENT

CAIRO

LOCAL DEVELOPMENT II

263-0182

UNCLASSIFIED



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

ACTION MEMORANDUM TO THE DIRECTOR

FROM: OD/PDS/PS, Robert Jordan *RJ*

THRU: AD/PDS, Christopher D. Crowley *CD*

SUBJ: Local Development II Project Paper Amendment (263-0182)

DATE: April 29, 1992

PROBLEM:

Your signature is required approving the Fourth Project Paper Amendment for the Local Development II Project (263-0182). The purpose of this amendment is (1) to delete the sector grant component from LD II effective FY 92 and (2) to place increased emphasis on a transition to a GOE financed and managed block grant, local development program.

DISCUSSION:

A Project Committee Review of the Local Development II Project Paper Amendment was held on April 8, 1992. As there are no outstanding issues, we have decided to forgo the usual Executive Committee review. The members of the Executive Committee have indicated their endorsement of the document by clearing below.

JUSTIFICATION:

Delegation of Authority No. 653 redelegates to the Mission Director the authority to amend project assistance authorizations without dollar limitation if (a) the amendment does not present significant policy issues; and (b) the amendment does not require the issuance of waivers which may only be approved in AID/W; and (c) the amendment does not result in total life of Project in excess of ten years. Item No. 4 of Mission Order 5-4 reflects this delegation and identifies the Mission Director for approval and signature of Project Paper amendments.

RECOMMENDATION:

That you sign the face sheet of the attached Fourth Project Paper Amendment for the Local Development II Project.

Clearance:

AD/Dr, P.Thorn *PT*
AD/FM, D.Franklin *DF*
AD/LEG, T.Carter *TC*
DDIR, G.Wachtenheim *GW*

AD/AGR, D.Clark *DC 4/21/92*
OD/DIR/CS, F.Williams *FW 4/19/92*
AD/HRDC, D.Miller *DM 5/3/92*
AD/TIFI, G.Huger *GH 5/4/92*

memorandum

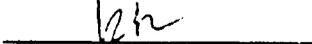
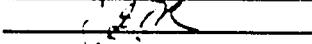
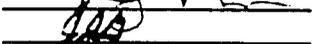
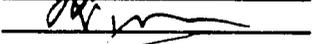
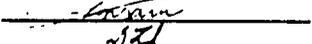
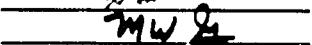
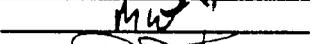
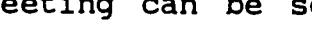
DATE: April 8, 1992

REPLY TO
ATTN OF: OD/DR/LAD, Don Wadley

SUBJECT: Local Development II Project Paper Amendment (263-0182)

TO: OD/PDS/PS, Robert Jordan

The attached Project Paper Amendment has been prepared by DR/LAD and PDS/PS for review by the Executive Committee. The Project Design Committee (named below) approved the subject document in substance at a review meeting on April 8, 1992. All changes and/or modification requested by the Project Design Committee have been incorporated into the document.

<u>Project Committee</u>	<u>Clearance</u>	<u>Date</u>
DR/LAD:K.Kertson		4/8/92
DR/LAD:J.Rifenbark		4/8/92
DR/LAD:J.Gisinger		4/8/92
PDS/PS:B.Cypser		4/8/92
PDS/P:J.Guisti		4/8/92
LEG:V.Moore		4/8/92
FM/FA: P. Wadley H. ELBeshir		4/8/92
AD/EAS:S.Skogstad		4/8/92
EAS:M.Gellerson		4-9-92
DIR/CS:M.Walsh		4/8/92
OD/HRDC/ET:P.Kresge		4/8/92
AD/DR:P.Thorn		4/8/92

An Executive Committee meeting can be scheduled after April 9, 1992.

LOCAL DEVELOPMENT II
Fourth Project Paper Amendment
April 9, 1992

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number
4

DOCUMENT CODE
3

2. COUNTRY/ENTITY

Egypt

3. PROJECT NUMBER

263-0182

4. BUREAU/OFFICE

Near East (NE)

03

5. PROJECT TITLE (maximum 40 characters)

Local Development II

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
09 30 93

7. ESTIMATED DATE OF OBLIGATION

(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY - 85

B. Quarter 4

C. Final FY 91

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

A. FUNDING SOURCE	FIRST FY <u>85</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	14,120	46,880	61,000	153,796	249,964	403,760
(Grant)	(14,120)	(46,880)	(61,000)	(153,796)	(249,964)	(403,760)
(Loan)	(-0-)	(-0-)	(-0-)	(-0-)	(-0-)	(-0-)
Other U.S.						
1.						
2.						
Host Country	-0-	29,844	29,844	-0-	230,909	230,909
Other Donor(s)						
TOTALS	14,120	76,844	90,844	153,796	480,873	634,669

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH 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	200	200		410,660	-0-	-6,900	-0-	403,760	-0-
(2)									
(3)									
(4)									
TOTALS				410,660	-0-	-6,900	-0-	403,760	-0-

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 improve the capacity of local government to plan, implement and maintain locally chosen basic services projects and to improve their capacity to mobilize local resources to sustain the provision of services, through both the public and private sectors.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
09 89 07 93

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of 2 page PP Amendment)

The purpose of this Amendment is (1) to delete the sector grant component from LD II effective FY 92 and (2) to place increased emphasis on a transition to a Government of Egypt (GOE) financed and managed block grant local development program.

17. APPROVED BY

Signature

Title

Henry H. Bassford
 Mission Director

Date Signed

MM DD YY
05 09 94

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION

Project Authorization Amendment No. 3, dated September 30, 1990, authorized planned obligations not to exceed \$481 million, of which \$57 million was authorized for obligation as sector assistance. The \$57 million in sector assistance was obligated in FY 1990. The total obligations of \$403.76 million required for this Project Paper Amendment are within the \$481 million limit set by the Project Authorization, as amended.

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ACRONYMS AND ABBREVIATIONS

GOE	Government of Egypt
LD II	Local Development II Project
MIC	Ministry of International Cooperation
MLA	Ministry of Local Administration
MOF	Ministry of Finance
MOP	Ministry of Planning
MSA	Ministry of Social Affairs
PVO	Private Voluntary Organization
PACD	Project Assistance Completion Date

I. PURPOSE OF THE AMENDMENT

The purpose of this Amendment is (1) to delete the sector grant component from LD II effective FY 92 and (2) to place increased emphasis on a transition to a Government of Egypt (GOE) financed and managed block grant, local development program.

II. SECTOR GRANT COMPONENT

A. Background

The Third Amendment to the LD II Project Paper (dated September 30, 1990) incorporated a sector grant in support of local fiscal policy reform by the GOE. The objective was to encourage the commitment and reforms necessary for local governments to more fully assume the responsibility for financing capital, and operation and maintenance (O&M) costs of basic services.

This restructuring of LD II to include a sector grant was to provide increased leverage for policy change. This was based on the assumption that national policy action steps were necessary to move the GOE towards fiscal decentralization and increased resource generation, particularly adequate resources for O&M to sustain basic services investments. There was considerable support at the governorate level, and initially by a senior level local development policy committee.

The Third Project Paper Amendment noted that as LD II progressed, it became clear that the central government needed to adjust policies in ways to improve local government prospects for sustainable provision of local services, notably adequate operation and maintenance (O&M) of existing facilities and equipment. In spite of some restated and increased authorities to raise local revenues that various ministerial decrees had granted to governorates, obstacles still remained to effecting a workable, comprehensive cost recovery system for the provision and long term sustainability of local basic services. Because budgets to meet recurrent costs of local governments were subsidized by the central government, any increased level of retained local revenues was accompanied by a concomitant reduction in financial support from the central government. Thus there was little incentive for local governments to raise user fees and taxes. Without a defined GOE commitment, or formula, giving local governments predictability in knowing how much money would come from the central budget, local administrations were reluctant to exercise their revenue raising authority. This was identified as a central impediment to fiscal decentralization and USAID entered into negotiations with the GOE to address this issue. In a letter dated 7/8/90, the GOE indicated

its commitment to four key policy actions. Three of these provided the basis for the policy reform component of the Third Project Paper Amendment, as follows:

- (1) Implementation of a government decree to recover costs of local services projects;
- (2) Instruction on increasing local revenues to finance these services; and
- (3) A study to plan for long-term revenue requirements for meeting O&M costs.

B. Impact

For LD II, the first tranche of \$57 million was disbursed during FY 91. It was conditioned on the three key policy benchmarks identified above, plus financial arrangements for the block grant program. Prior to disbursement, the GOE undertook the required actions with the following results:

- (1) The GOE provided instructions to all governorates to apply Prime Ministerial Decree No. 578 of 1986, in order to maximize to the extent possible, operation and maintenance cost recovery for local services projects. Governorates are implementing local pilot projects to raise local revenues using this decree, or other authorities, during the final block grant funding cycle.
- (2) The GOE requested that each governorate increase local user fees and charges enumerated in Ministerial Decree No. 239, up to the allowable ceiling authorized by Local Government Law 145 in order to begin to cover the recurrent costs of local services projects. These fees are being collected. One issue is that many of the fees are not retained, but are rebudgeted by MOF.
- (3) The GOE approved a Scope of Work and adequate funding from LD II for a study and analyses of local financial management. The study was contracted and carried out by a U.S. consulting firm. However, minimal support was provided by the GOE, especially the MOF, and government level fiscal management pilot activities were not implemented as planned.
- (4) The GOE transferred the Egyptian pound equivalent of the sector grant from the Special Account into the designated USAID Trust Fund account. These funds are being disbursed for investment block grants to governorates in FY 92 based on established LD II procedures.

C. Subsequent Sector Grant Tranche

Originally, the Third Project Paper Amendment projected an additional performance disbursement of \$63 million. This disbursement was to have been based on performance indicators and a schedule for increasing and retaining (in the Local Services Development Fund accounts) local fees, user charges and applicable taxes to cover the recurrent costs of local service projects; and the development and implementation of a feasible grants system or revenue sharing formula for the allocation of central government budget to local government units in GOE FY 1992/93. These were to have been promoted based on the studies carried out by the consultants and governorate pilots.

Since the disbursement of the first tranche of the sector grant, several factors have caused USAID to reconsider this component of LD II. First year policy action steps (outlined above), primarily restated existing regulations and directions to governorates by the Prime Minister; they were appropriate and increased resources were generated. The next steps, however, were more difficult. Assumptions that benefits to the national government, especially MOF, would be recognized and simple budgeting changes would be made after consultant and GOE analyses were completed, were too optimistic. Constraints to policy changes, including the political dimension of fiscal and related political/administrative decentralization, and internal GOE shifts of fiscal authorities precluded early GOE action. While fiscal decentralization issues were discussed within the senior policy committee, the Ministry of Finance, a key player, was not included. The GOE was slow to take needed actions related to ongoing analysis and proposed governorate pilot activities, so policy dialogue between the GOE and USAID was discontinued at that time.

By FY 1992, USAID program support addressing fiscal decentralization was transferred from LD II to the Mission's Economic Analysis Section which was also concerned with national fiscal policy dialogue, and for which resources were already included under USAID's national tax project, Public Finance Administration. It is important to note that increased fiscal decentralization remains a key aspect of USAID's proposed policy dialogue. It is also an element of the proposed Local Administration Law under discussion by the People's Assembly, with heavy involvement by the members of the GOE local development senior policy committee. The GOE focus has shifted to the legislative arena with the executive side drafting a new law to include greater decentralized fiscal authorities as part of broader changes in local government.

Therefore, as described in the previous section, Section II of the Third Project Paper Amendment, entitled "Sector Grant Component", is still valid with respect to its stated purpose and the first tranche of the Sector Assistance was justified. However, there

will be no additional disbursements under this component. At the same time, the local planning and block grant disbursements to governorates, and the institutional activities scheduled through the current PACD of 9/93 will continue and are expected to achieve their intended purpose.

III. THE INVESTMENT BLOCK GRANT PROGRAM

A. Background

LD II block grants finance local projects by local government units. The block grant system is designed to enhance decentralization and build local government capacity through the development, and subsequent implementation, of proposals within guidelines jointly developed and agreed to by the central GOE and USAID. These guidelines are the primary tools for improving the institutional and technical capacity of governorates to plan, design, finance, implement and manage their development activities.

Initially, the block grants were funded directly by USAID, as well as through a Host Country contribution by the MOP and governorates. The Third Project Paper Amendment transformed the USAID assistance into a performance-based disbursement which tied the disbursement of the USAID sector grant to fulfillment of the policy actions identified in the previous section. As a condition precedent to receipt of the sector grant, the GOE also was required to contribute the LE equivalent of the sector grant for the block grant activities. While the source of funding changed, the block grant program remained the same.

B. Current Approach to Block Grants and O&M Funding

This Project Paper Amendment does not change the basic concept of block grants and LD II O&M budgeting. For the remainder of LD II, these will be financed from host country contributions. They may originate from the Special Account, if so requested by the GOE. Block grants will no longer be a GOE contribution linked to the release of a dollar sector grant. The amount and timing of the GOE contributions for block grants will be determined by the Ministry of Local Administration and Ministry of International Cooperation.

The planning process and disbursement mechanism under LD II (i.e., through the USAID Trust Fund) will remain the same. USAID will continue to fund technical assistance (TA). The Project's TA contractors will continue to work directly with governorates in developing annual investment and O&M plans and institutional building activities. Established performance conditions will continue to be used by the GOE for the planning process and once these conditions are met, governorates will receive their

investment block grants. For example, these conditions provide incentives to governorates to undertake pilot cost recovery activities, to fund and carry out O&M planning, and to assign and train qualified staff for timely implementation and follow up.

IV. PVO BLOCK GRANTS

The purpose of the PVO component is to strengthen the capabilities and the efficiency of local governments to coordinate and stimulate the development potential of local PVOs. To do this, funds were made available as well as technical assistance, to improve the management capabilities of PVOs in assessing local community needs, planning and implementing subprojects, and sustaining the projects through improved fund-raising capabilities. Started in 1986, three funding cycles have been completed, and the fourth is nearing plan completion ready for financing. A 1991 evaluation found the PVO Block Grant program had definitely activated and stimulated indigenous local PVOs, as well as Regional Federations and MSA staff at the directorate, department and unit levels. Existing services have been up-graded, increasing the number of beneficiaries, and new services have been introduced. However, several limitations were also identified, primarily the absence of base line data, the limited levels of monitoring and technical assistance, a lack of flexibility in the selection criteria, and the need to further define the support role of local government. Technical assistance was identified to address these concerns. This component will be completed with the final follow-up and monitoring of activities carried out under the fourth funding cycle.

V. TECHNICAL ASSISTANCE

As the MLA prepares to launch its own GOE-funded local development program, it has requested assistance in setting up the requisite planning and management systems.

Within the amount already obligated for LD II, USAID will continue to fund the requisite technical assistance, on a phased down basis. The major contracts with the two current TA firms will be extended for the maximum period of time allowable; the TA requirements for the time remaining through the PACD will be met through a contract with a firm selected through the competitive process.

The current urban and provincial TA contractors (and the follow-on contract) will focus increasingly on assistance to the MLA to expand its capacity to manage the proposed GOE-funded, five-year local development program using budgetary support (LE 200 million/year). Concurrently, the contractors will be phasing down

and ultimately completing their assistance to the twenty six governorates regarding the planning process for both block grants, O&M, MIS, reporting, financial management, and institutional support. During this final period, the contractors will also provide specific wastewater technical services, support to the private sector equipment maintenance centers and urban garage program (including MIS capacity, financial and other management upgrading, and reporting), and undertake the remaining training activities planned under the Project. The contractors will also continue with subproject monitoring/evaluation to meet USAID's accountability requirements. The PVO and Training Block Grant technical assistance contractor will assist the MSA and the MLA respectively. Under the PVO component, the TA contractor will focus on installing an MIS and transferring the necessary skills to MSA; and assisting the Ministry and governorates to expand their management and planning capacity for carrying out a block grant system. Under the Training Block Grant component, the TA contractor will assist governorates to develop the skills for management of the training program. See Annex II for an outline of the activities planned for each contractor for the remainder of the Project.

In a departure from earlier planning, the upcoming assessments of LD II activities will also include the identification of relevant governance activities which could be implemented through the Mission's new Governance and Democracy Program.

VI. OTHER PROJECT COMPONENTS

Evaluations, audits, and specific research activities, will continue to be undertaken as planned.

VII. MONITORING

In general, the focus of USAID monitoring activities is development of local government institutional and technical capabilities, and the policy and management systems necessary to implement decentralized development programs; not individual projects funded by GOE local currency contributions. USAID staff monitoring of LD II Program activities will continue to focus on the adequacy of block grant plans, the development of management and implementation skills, financial management, monitoring and other technical support systems and policy measures necessary for efficient decentralized local government operations. USAID staff is organized to follow up the planning processes and randomly spot check all LD II activities. Emphasis at the governorate level allows USAID to identify problems early on and address them during

the planning process. USAID funded contractors monitor and report on problem areas and progress at the local level.

VIII. SUMMARY ILLUSTRATIVE FINANCIAL PLAN

A. USAID Contribution

Total USAID obligations for the LD II Project, and the changes introduced by this amendment, are summarized in the table below. Total funding is now estimated to be \$403,760,000.

B. Host Country Contribution

The Host Country Contribution is expected to total \$230,909,000 over the LOP, in LE equivalent. This contribution consists of:

- LE equivalent of the sector grant assistance provided by the MOF via the MIC Special Account;
- Block grant investment matching funds provided by the governorates through their Local Services Development Accounts (LSDAs) and by the Ministry of Planning, which amount to 5 percent each of the amount contributed by USAID initially and by the GOE Special Account funds for the final cycle;
- PVO block grants matching funds of 5 percent provided by the LSDAs;
- GOE funds for operation and maintenance each year to support all infrastructure and equipment financed under the GOE-USAID local development program (Basic Village Services, Neighborhood Urban Services, Decentralization Support Fund, and Local Development II); and
- Contributions from the beneficiaries of local projects, which are encouraged and provided in cash and in-kind.

Disbursement of GOE funds from the LD II Trust Fund Account to the governorates is contingent upon verification that the requisite MOP and/or governorate contributions have been made, in addition to the satisfaction of specific block grant conditions and approval procedures.

Following completion of the USAID contribution, it is expected that funding for the Local Development program will be provided through the GOE budgetary process. The GOE Ministry of Finance will budget and provide its contribution for the block grant investments to correspond with the GOE budget cycle. This mechanism can continue to ensure timely availability of block grant funds to governorates.

mechanism can continue to ensure timely availability of block grant funds to governorates.

C. Planned Project Funding Levels

The following table outlines both the USAID dollar and GOE LE contributions to the Project, expressed in dollars.

	Previous PP Amendment			Current PP Amendment		
	USAID \$000	GOE LE Equiv.	TOTAL \$000	USAID \$000	GOE LE Equiv.	TOTAL \$000
Urban Block Grants	59,676	27,968	87,644	58,521	11,352	69,873
Provincial Block Grants	186,998	128,700	315,698	186,973	75,897	262,870
Urban PVO Fund	8,480	424	8,904	4,836	242	5,078
Provincial PVO Fund	19,720	986	20,706	16,443	822	17,265
Special Projects	16,633	832	17,465	15,995	800	16,795
Commodity Procurement				80	0	80
Maintenance Fund	0	128,147	128,147	0	127,957	127,957
Staff Support	0	13,950	13,950	0	13,839	13,839
TA/Commodities/Training	57,253	0	57,253	56,381	0	56,381
Other Training	7,120	0	7,120	3,675	0	3,675
Evaluation/Research	3,810	0	8,310	3,856	0	3,856
Performance Disbursement	120,000	0	120,000	57,000	0	57,000
Contingency	1,310	0	1,310	0	0	0
TOTAL	481,000	301,007	782,007	403,760	230,909	634,669

IX. REVISED IMPLEMENTATION PLAN

The following revised indicative Implementation Plan shows the timing of the activities planned for the remainder of the Project through the PACD in September 1993.

**Revised Implementation Plan
Local Development II (263-0182)**

ACTIVITY	ACTION	FY 1992						FY 1993											
		A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
		P	A	U	U	U	E	C	O	E	A	E	A	P	A	U	U	U	E
MINISTRY OF LOCAL DEVELOPMENT																			
(1) Transition to GOE Decentralized Local Development Grant Program - budgeting and disbursement of funds; contracting for TA	MLA Contractor MOP MIC MOF Governorates	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
PROVINCIAL																			
(2) Provincial Block Grant Program to Local Councils - disbursement of funds; program monitoring; monitoring of subprojects; transition to GOE program	MLA USAID Contractor Governorates MIC MOF	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
(3) Enhancement of Local Governorates' Capacity to Provide Basic Services - a. workshops/seminars to enhance personnel capacity b. improved capacity and systems for financial management, physical management of infrastructure c. improved planning d. improved monitoring and progress evaluation	MLA Contractor Governorates	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
(4) Improve Subproject Quality - a. guideline adherence b. improved planning and design systems c. improved local unit project contracting d. improved construction supervision	USAID MLA Contractor Governorates	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

ACTIVITY	ACTION	FY 1992						FY 1993											
		A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
		P	A	U	U	U	E	C	O	E	A	E	A	P	A	U	J	U	U
R	Y	N	L	G	P	T	V	C	N	B	R	R	Y	N	L	G	G	P	
(5) Enhance Project Sustainability - a. improve O&M of infrastructure b. financing of O&M	Governorates Contractor MLA USAID MOP	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
(6) Specific Sectoral Projects - a. Qena-Hurghada Water Pipeline b. Pilot Wastewater Activity c. Pilot Maintenance Centers	Contractor Governorates USAID MLA	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
URBAN																			
(7) Urban Block Grant Program to Local Councils - disbursement of funds; program monitoring; monitoring of subprojects; transition to GOE program	MLA USAID Contractor Governorates MIC MOP	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
(8) Operation and Maintenance - garage construction completed; systems in place	Governorates Contractor USAID	X	X	X	X	X	X	X	X	X	X	X	X	X					
(9) Management Information System - systems in place, computers procured, MIS upgraded	Governorates Contractor MLA	X	X	X	X	X	X	X	X	X	X	X							
(10) Office of Management and Economic Development - budget preparation, resource collection, assessment, monitoring	Governorates Contractor USAID MLA	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
(11) Technical Training - review training impact; training plans prepared, training manuals delivered	Governorates Contractor MLA	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
PVO																			
(12) PVO Block Grants - review plans, disburse funds, follow up, monitoring	MSA USAID	X	X	X	X	X	X	X	X	X									

ACTIVITY	ACTION	FY 1992						FY 1993											
		A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
		P	A	U	U	U	E	C	O	E	A	E	A	P	A	U	U	U	E
TRAINING																			
(13) Training Block Grants - review plans, implementation, assessment, institutionalization	MLA Governorates Contractor USAID	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
EVALUATIONS																			
(14) Activity Evaluations		X	X	X	X								X	X					
(15) LD II Final Evaluation											X	X	X	X	X				
CONTRACTS																			
(16) Provincial	Chemonics	X	X	X	X	X	X	X	X	X									
(17) Urban	Wilbur Smith	X	X	X	X	X	X	X	X	X									
(18) Follow-on TA	To be selected								X	X	X	X	X	X	X	X	X	X	X
(19) Pilot Maintenance Centers	Edusystems	X	X	X	X	X	X	X	X	X									
(20) PVO Training Block Grants	SPAAC	X	X	X	X	X	X	X	X										
(21) Qena-Burghada Pipeline, CMC	ETC	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
(22) Qena Burghada Pipeline, Rehabilitation	Wallace O'Connor	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			

ANNEX I

Revised Logical Framework
Local Development II (263-0182)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Factor Goal to which this program contributes:</u></p> <p>To improve the quality of life of low income residents in rural and urban Egypt through the provision of basic services.</p>	<p><u>Measures of Goal Activities:</u></p> <ol style="list-style-type: none"> 1. Declining infant mortality rate 2. Increasing proportion of population with access to potable water and sanitation, and other basic business services. 3. Villages and urban neighborhoods with good access roads/streets. 	<ol style="list-style-type: none"> 1. National census data 2. Demographic analysis 3. CAPMAS survey data 4. World Bank Reports. 	<p><u>Assumptions for Achieving Goals:</u></p> <ol style="list-style-type: none"> 1. GOE will continue to decentralize local government. 2. Administrative and fiscal stability will continue in Egypt.
<p><u>Program Purposes:</u></p> <ol style="list-style-type: none"> 1. To improve and expand the capacity of local government at all levels to plan, finance, implement and maintain locally chosen basic services projects. 2. To improve the capacity of local government to mobilize local resources to support the sustained provision of basic services. 	<p><u>Conditions that will indicate purpose has been achieved:</u></p> <ol style="list-style-type: none"> 1. <u>Capacity Building</u> <ul style="list-style-type: none"> -- Improved project planning, budgeting, and implementation capabilities in local governments. -- Cadre of technically skilled staff at all local government levels. -- Local council members are aware of their roles in local development, with basic skills in project planning/implementation. -- Appropriate maintenance facilities in place and functioning in local governments. -- Improved operation and maintenance (O&M) of basic public services. 2. <u>Institutional Systems</u> <ul style="list-style-type: none"> -- A decentralized planning and budgeting system in place and fully institutionalized, as outlined in Egyptian law. -- A GOE funded matching block grant systems in place and fully institutionalized. -- A governorate level Management Information System (MIS) in place providing input to local decision making an mutual support. 3. <u>Fiscal Decentralization</u> <ul style="list-style-type: none"> -- Increased authority of local councils to collect, retain and expend additional revenues, user fees, etc. -- Increased revenues and user fees collected and spent locally, with an increased proportion on recurrent costs. -- Improvements in intergovernmental grants, moving towards a formula-based system. -- Ministry of Finance and Ministry of Local Administration providing technical assistance to local units in revenue generation and recurrent cost financing. 4. <u>FVO Capacity Building</u> <ul style="list-style-type: none"> -- FVOs with financial, managerial and administrative capacity integrated into the local development process. -- Ministry of Social Affairs and governorate social affairs directorates managing funds and providing technical assistance to FVOs. 	<ol style="list-style-type: none"> 1. Evaluations 2. Sector Assessments 3. Audits 	<p><u>Assumptions for Achieving Purposes:</u></p> <ul style="list-style-type: none"> - Continued delegation of authority to lower levels of local government. - GOE assigns staff necessary to implement systems. - Local councils act upon authority given to them.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS			MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Outputs:</p> <p>1. Basic Services Delivery system established in all levels of local government.</p> <p>2. Public & Private Local Resources Mobilization system established at all levels of local government.</p>	<p>Magnitude of Outputs:</p> <p>1. Matching block grant cycles from FY 87-92 (4 provincial planning and O&M cycles and 5 urban governorate cycles completed through 12/91).</p> <p>2. Functioning maintenance centers in 26 governorates, 23 urban districts, 70 markaz and 500 village units.</p> <p>3. A total of 3600 local projects completed.</p> <p>4. A total of 63,550 local government and PVO officials trained in technical subjects.</p> <p>5. Popular and elected council members trained in orientation workshops.</p>			<p>- Annual Evaluations</p> <p>- Assessments</p> <p>- Semi Annual program review</p> <p>- Acceptance reports</p>	<p>Assumptions for Achieving Outputs:</p> <p>- Continued delegation of authority to lower levels of local governments.</p> <p>- GOE assigns staff necessary to implement systems.</p> <p>- Local councils act upon authority given to them.</p> <p>- Sufficient flexibility in the allocation and control of funds by governorate and local authorities will be permitted by AID and the GOE.</p>
<p>Project Inputs (\$ 000):</p> <p>Urban Block Grants</p> <p>Provincial Block Grants</p> <p>Urban PVO Fund</p> <p>Provincial PVO Fund</p> <p>Special Projects</p> <p>Commodity Procurement</p> <p>Maintenance Fund</p> <p>Staff Support</p> <p>Technical Assistance/Commodities/Trng</p> <p>Other Training</p> <p>Evaluation/Research</p> <p>Performance Disbursement</p> <p>TOTAL</p>	<p><u>USAID</u></p> <p>58,521</p> <p>186,973</p> <p>4,836</p> <p>16,443</p> <p>15,995</p> <p>80</p> <p>0</p> <p>0</p> <p>56,381</p> <p>3,675</p> <p>3,856</p> <p>57,000</p> <p>-----</p> <p>403,760</p>	<p><u>GOE</u></p> <p>11,352</p> <p>75,897</p> <p>242</p> <p>822</p> <p>800</p> <p>0</p> <p>127,957</p> <p>13,839</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>-----</p> <p>230,909</p>	<p><u>TOTAL</u></p> <p>69,873</p> <p>262,870</p> <p>5,078</p> <p>17,265</p> <p>16,795</p> <p>80</p> <p>127,957</p> <p>13,839</p> <p>56,381</p> <p>3,675</p> <p>3,856</p> <p>57,000</p> <p>-----</p> <p>634,669</p>	<p>Project Records.</p>	<p>Assumptions for Achieving Inputs:</p> <p>USAID & GOE make Funds available.</p>

ANNEX II

Illustrative TA Required for Remainder of LD II Local Development II (263-0182)

The two current contracts for local government capacity building were competitively awarded to Wilbur Smith Associates (Urban) and to Chemonics (Provincial) in 1988, and have been incrementally funded through the Project's previous PACD of September 30, 1992. That PACD was extended by one year to September 30, 1993 via PIL No. 63 in January 1991, following the Third PP Amendment. This Annex outlines the TA requirements for the remaining twelve-month bridging period from the previous PACD through the current PACD, at which time the GOE will contract for TA required to implement their local development grant program.

In response to a Mission management directive, this bridging TA will be obtained through a combination of an extension of the contracts of the original two contractors to the maximum allowable time period under their contracts (December 1992), with the remainder provided through an eleven-month follow-on contract to a competitively selected firm. The bridging period would continue the phase down that is currently being undertaken by the present contractors. The two contractor teams currently have twenty-five expatriate staff in-country; the follow-on contract is being estimated at an illustrative level of five long-term expatriate staff. The following is illustrative and outlines the assistance to be provided under each of the three contracts during the bridging period. These activities are currently in various stages under existing scopes of work; on-going negotiations with the GOE will further define the activities and may result in some changes. Overall, the final year of the Project will require a shift in emphasis, with the focus moving to institutionalization of the MLA's ability to undertake a GOE local development program and strengthened capacity at the governorate level.

A. CHEMONICS CONTRACT

1. Institutionalization of MLA Local Development Program
 - Advise the MLA in the development of the provincial governorate budget allocation process and planning guidelines for project block grants and O&M.
 - Participate in the implementation of a country-wide management information system to monitor block grant projects, O&M, and financial reporting.
 - Participate in the training of MLA staff in MIS use and maintenance.

- Provide guidance to the MLA on contracting for its own technical assistance in FY 92/93.

2. Governorate Assistance

- Assist the provincial governorates to institutionalize investment and O&M planning processes.
- Assist provincial governorates in following up on problem project grants to help ensure that they are completed and operational.
- Assist provincial governorates in the installation of upgraded computers, application software and technical training.
- Assist provincial governorates with pilot local revenue generation, and management activities, including those for project O&M.

3. Field Subproject Monitoring/Assessment

- Take primary responsibility for following up on the nationwide random sample survey of the 15,000 subproject grants, as input to the LD II final project evaluation.
- Assess local capacity to plan, implement, and maintain the block grant program.
- Take primary responsibility for governorate cash management reporting follow-up pursuant to the LD II Grant Agreement covenant, and the RIG/A audit recommendation.
- Continued governorate technical field monitoring/follow-up with counterparts on a random basis.

4. Wastewater

- Provide technical services for the operation and maintenance of twenty-five LD II funded, pilot technology, wastewater plants in four governorates.
- Conduct wastewater operation and maintenance training.
- Conduct a pilot wastewater project technical assessment.

5. Pilot Maintenance Center Project

- Assist four pilot governorate/private sector joint venture companies in first year operations.

- Assist maintenance centers to alleviate technical problems in management, maintenance and cost recovery financial systems.
- Provide technical assistance on divestiture of GOE ownership in the centers.
- Conduct a technical assessment of pilot operations.

6. Training Activities

- Conduct technical training in twenty-two provincial governorates in support of subproject grants and O&M activities.
- Carry out advanced management seminars for 17 governorates.

B. WILBUR SMITH ASSOCIATES CONTRACT

1. Institutionalization of MLA Local Development Program

- Advise the MLA in the development of the urban governorate budget allocation process and planning guidelines for project block grants and O&M.
- Take the lead role in assisting the MLA to activate a country-wide management information system to monitor block grant projects, O&M, and financial reporting.
- Train MLA staff in MIS use and maintenance.
- Provide guidance to the MLA on contracting for its own technical assistance in FY 92/93.
- Assist the MLA to design their training program.
- Upgrade MLA technical, management, financial, and planning capabilities.

2. Governorate Assistance

- Assist the urban governorates to institutionalize investment and O&M planning processes.
- Assist urban governorates in following up on problem project grants to ensure that they are completed and operational.

- Assist the urban governorates in the installation of upgraded computers, application software and technical training.
 - Assist the urban governorates with pilot local revenue generation and management activities, including those for project O&M.
3. Monitoring
- Participate in the assessment of local capacity to plan, implement, and maintain the block grant program.
 - Participate in governorate cash management report monitoring pursuant to the LD II Grant Agreement covenant.
 - Participate in continued governorate technical field monitoring/follow-up on a random basis.
4. Urban Garage Program
- Assist twenty-five urban vehicle maintenance centers in six governorates to complete construction and operations.
 - Strengthen O&M systems, including pilot cost recovery mechanisms and computerized preventive maintenance and parts control systems.
5. Training Activities
- Provide technical training in six urban governorates in support of subproject grants and O&M activities.

C. FOLLOW-ON CONTRACT

1. Institutionalization of MLA Local Development Program
- Continue to train MLA staff in MIS use and maintenance.
 - Continue to assist the MLA to institutionalize a comprehensive training program.
 - Continue to assist the MLA in upgrading technical management, financial and planning capabilities.
2. Governorate Assistance
- Continue to assist the governorates to institutionalize investment and O&M planning processes.

- Continue to assist the governorates in following up on problem project grants to ensure that they are completed and operational.
- Continue to assist the governorates with pilot local revenue generation and management activities including those for project O&M.

3. Monitoring

- Continue governorate cash management report monitoring pursuant to the LD II Grant Agreement covenant.
- Continue governorate technical field monitoring/follow-up on a random basis.
- Continue follow up on the nationwide random sample survey of the 15,000 subproject grants, as input to the LD II final project evaluation.

4. Wastewater Technical Services

- Continue technical services for the operation and maintenance of twenty-five LD II funded, pilot technology, wastewater plants in four governorates.
- Undertake the commissioning of twenty-four additional wastewater plants now under construction.
- Continue to conduct wastewater operation and maintenance training.

5. Pilot Maintenance Center Project

- Continue to help centers alleviate technical problems in management, maintenance and cost recovery financial systems.
- Continue to provide technical assistance on divestiture of GOE ownership in the centers.

6. Urban Garage Program

- Continue to strengthen O&M systems, including pilot cost recovery mechanisms.

7. Training Activities

- Design training for executive council members and village chiefs after next election (estimated 10/92).