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## **GUIDELINES FOR FOURTH-YEAR LD II-P PLANNING**

**USAID CONTRACT No.: 263-0182-C-00-8041-00**  
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**Prepared by:**  
**Chemonics/Cairo**

**in conjunction with the General Secretariat of the**  
**Ministry of Local Administration**

**November 1990**

**LG5-01**

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## **INTRODUCTION**

The objectives of the Local Development Program, as it begins its second decade, are a systematic approach to basic service coverage and an increase in the cost-effectiveness of projects. The key to achieving these objectives is the development of governorate sectorial plans.

### **SECTORIAL PLANS**

A sector plan is based on a set of development objectives. In the LD II context, these objectives can be expressed in terms of a level-of-service coverage to be extended to all citizens by the plan's design year. For example, a governorate may have provision of 70 liters of potable water per day to each inhabitant as an objective to be attained by the year 1997. Such an objective is premised on a belief in the equality of all governorate citizens with respect to the right to basic services such as safe water. In any particular governorate, some citizens may already be receiving services at this level, while others live well below this level. In one governorate the inequality may be regional (e.g., between marakez); in another it may be structural (e.g., between main and satellite villages, or between towns and villages).

### **Types of Input**

The determination of development objectives requires several different kinds of input. Target water service level, for instance, will have to be determined with reference to the following factors:

- World and national standards of daily consumption.
- Present service level in each settlement.
- The size of the investment required for different levels of service coverage, in relation to the available funding.
- The funding requirements of priorities in other service sectors.
- The future demographic and economic complexion of the governorate as projected in national development plans and as expected by local people.

Even the elementary step of defining target service levels therefore requires inputs from both policy-makers and technical experts; moreover, inputs of one or both types are required from all levels of society, from the central government to the hamlet.

### **Benefits of Sector Planning**

The advantages of sector planning for maximizing the cost-effectiveness of investments appear as the plan is developed from the level of policy—that is, the development objectives—to the level of practice—that is, implementation and service delivery. Planning for several years in advance makes the actual size of the required sector investment more obvious. Several implications follow:

- Funds allocated for proper planning, design, and construction supervision will be funds well-invested in the long term.
- Recurrent cost considerations are essential at the very first stages of planning.
- The contract value and duration of the several components of the plan are large enough to attract highly qualified contractors to bid for these projects and/or for operations and maintenance contracts.
- Long-term planning provides a basis upon which the governorate can articulate its requirements for funds, materials, training, and technical support to the central government, suppliers, USAID, and the technical assistance contractor.
- Long-term planning facilitates coordination in policy-making and administration at all levels of government.

### **FOURTH-YEAR GUIDELINES**

The next stage of the Local Development program, beginning in 1992, will focus on the implementation of sectorial plans developed before the completion of the present stage. In anticipation of this new beginning, the fourth-year guidelines place emphasis on the development of the sector plans and on the bringing of investments begun under BVS and LD II-P to operational status. These emphases are reflected in the fourth-year priorities for project selection.

The fourth-year guidelines make greater demands on local governments than any previous guidelines. In addition to the capital investment plan, the guidelines ask the governorates to submit:

- An overall plan for the supervision and final testing of proposed projects.

- A plan for the development of governorate project monitoring systems.
- A plan for the design and implementation of schemes for user finance of recurrent costs of water and wastewater projects.

The stringent fourth-year planning requirements reflect the confidence of USAID and the GOE in growing local government capabilities in planning. They are also intended to alert the governorates to the levels of capacity which will be required for the implementation of comprehensive sector development plans. The governorates are advised that considerations of the performance of the governorates in the various program development areas will play an important role in the determination of governorate block grant sizes in the fifth year of the project and thereafter.

## SECTION 1

# GRANT SIZE AND COMPOSITION

The table on the following page shows the fourth-year LD II-P grant sizes for the 21 participating governorates and Red Sea. Needs-oriented criteria, previously reflected in the differences between rural and desert governorate base allocations and in the allocation of cities funds on the basis of the number of cities, now play a greater role in the formula for the LD II-P grant to the governorate:

- Base allocation (LE 3,000,000)
- Number of village councils (x LE 10,000)
- Number of eligible cities (x LE 200,000)\*
- Estimated 1990 population (x LE 0.80)

As in previous years, matching funds equal to five percent of the LD II-P grant must be supplied by both the Ministry of Planning and the Governorate. The sum of the LD II-P grant and the matching funds is the governorate's fourth-year block grant, and is also shown in the table on the following page.

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\* Cities in desert governorates receive LE 100,000. Luxor City receives LE 500,000.

LOCAL DEVELOPMENT II-PROVINCIAL PROJECT  
FOURTH-YEAR ALLOCATIONS

GOVERNORATE	NUMBER OF ELIGIBLE CITIES	NUMBER OF VILLAGE COUNCILS	ESTIMATED 1990 POPULATION	LASIC ALLOCATION	RURAL CITIES ALLOCATION	VILLAGE COUNCIL ALLOCATION	POPULATION-BASED ALLOCATIONS	TOTAL GOVERNORATE ALLOCATION	LDII-P ALLOCATION (ROUNDED)	MOP CONTRIBUTION	GOVERNORATE CONTRIBUTION	TOTAL BLOCK GRANT
<i>Aswan</i>	7	28	877,034	3,000,000	1,400,000	280,000	759,047	5,439,047	5,440,000	272,000	272,000	5,984,000
<i>Assyout</i>	10	49	2,432,814	3,000,000	2,000,000	400,000	2,105,528	7,595,528	7,600,000	380,000	380,000	8,360,000
<i>Beheira</i>	14	69	3,564,536	3,000,000	2,800,000	690,000	3,084,999	9,574,999	9,570,000	478,500	478,500	10,527,000
<i>Beni Suef</i>	6	38	1,579,150	3,000,000	1,200,000	380,000	1,366,707	5,946,707	5,950,000	297,500	297,500	6,545,000
<i>Damietta</i>	9	24	811,215	3,000,000	1,800,000	240,000	702,082	5,742,082	5,740,000	287,000	287,000	6,314,000
<i>Daqahliya</i>	12	92	3,830,798	3,000,000	2,400,000	920,000	3,315,441	9,635,441	9,640,000	482,000	482,000	10,604,000
<i>Fayoum</i>	4	39	1,689,754	3,000,000	800,000	390,000	1,462,431	5,652,431	5,650,000	282,500	282,500	6,215,000
<i>Gharbiya</i>	8	53	3,141,883	3,000,000	1,600,000	530,000	2,719,206	7,849,206	7,850,000	392,500	392,500	8,635,000
<i>Giza</i>	8	45	4,049,216	3,000,000	1,600,000	450,000	3,504,475	8,554,475	8,550,000	427,500	427,500	9,405,000
<i>Ismaciya</i>	4	10	595,803	3,000,000	800,000	100,000	515,649	4,415,649	4,420,000	221,000	221,000	4,862,000
<i>Kafr-el-Sheikh</i>	10	44	1,970,001	3,000,000	2,000,000	440,000	1,704,977	7,144,977	7,140,000	357,000	357,000	7,854,000
<i>Matrouh</i>	8	28	175,719	3,000,000		360,000	152,080	3,512,080	3,510,000	175,500	175,500	3,861,000
<i>Menufiya</i>	9	67	2,437,250	3,000,000	1,800,000	670,000	2,109,367	7,579,367	7,580,000	379,000	379,000	8,338,000
<i>Minya</i>	8	57	2,897,930	3,000,000	1,600,000	570,000	2,508,072	7,678,072	7,680,000	384,000	384,000	8,448,000
<i>New Valley</i>	2	16	124,581	3,000,000		180,000	107,821	3,287,821	3,290,000	164,500	164,500	3,619,000
<i>North Sinai</i>	6	32	187,689	3,000,000		380,000	162,440	3,542,440	3,540,000	177,000	177,000	3,894,000
<i>Qaliubiya</i>	8	45	2,751,505	3,000,000	1,600,000	450,000	2,381,345	7,431,345	7,430,000	371,500	371,500	8,173,000
<i>Qena</i>	13	48	2,464,859	3,000,000	2,600,000	480,000	2,133,261	8,213,261	8,210,000	410,500	410,500	9,031,000
<i>Sharqiya</i>	15	74	3,742,864	3,000,000	3,000,000	740,000	3,329,337	9,979,337	9,980,000	499,000	499,000	10,978,000
<i>Sohag</i>	11	51	2,686,817	3,000,000	2,200,000	510,000	2,325,359	8,035,359	8,040,000	402,000	402,000	8,844,000
<i>South Sinai</i>	8	8	31,724	3,000,000		160,000	27,456	3,187,456	3,190,000	159,500	159,500	3,509,000
	180	917	42,043,142	63,000,000	31,200,000	9,410,000	36,387,078	139,997,078	140,000,000	7,000,000	7,000,000	154,000,000
<i>Red Sea*</i>	5	8	99,030	12,035,000				12,035,000	12,035,000	601,750	501,750	13,138,500

\* The Red Sea Governorate has already contributed LE 100,000 towards its block grant.

## SECTION 2

# PROJECT SELECTION

### **BASIC SERVICE SECTORS**

Beginning with its fourth year, the Local Development program will focus on comprehensive and systematic planning for basic services provision in the three main sectors of water, wastewater, and roads. Road projects should be selected only when the governorate can economically and financially justify roads investments versus other priorities and can assure adequate annual maintenance.

Fourth-year and all future USAID-funding for projects in these sectors will require most projects to be generated from governorate-wide strategic sector development plans. All governorates are required to allocate fourth-year funding for a study leading to the development of a strategic plan for at least one of the three main sectors. (The governorate may wish to consider combining the water and wastewater sectors in a single plan.) The plan should cover all sources of capital and recurrent cost finance for the sector. The technical assistance contractor will provide detailed terms of reference for these studies.

*Some governorates already have such plans for one or more sectors. Fourth-year project proposal eligibility will therefore differ from governorate to governorate and from sector to sector within a governorate. Three planning scenarios are possible, with different implications for project eligibility:*

#### **No Sector Plan, No 4th-Year Funds Used for Sector Planning**

*Where a sector is not presently covered by a strategic plan and the governorate chooses not to allocate fourth-year funds for planning studies for the sector, only two types of project may be proposed in that sector:*

- Completion projects
- New projects based on completed feasibility studies

#### **No Sector Plan, 4th-Year Funds Used for Sector Planning**

*Where a sector is not presently covered by a strategic plan but the governorate is allocating fourth-year funds for planning studies for the sector, three types of project may be proposed in that sector:*

- Completion projects

- New projects based on completed feasibility studies
- Rehabilitation projects, subject to review by the technical assistance contractor to assess their feasibility in terms of likely future service levels to be determined by the sector plan

Completion projects are defined as procurements and/or works which bring previous investments into *initial* operation. Completion is not to be confused with extension, which increases the range of an existing service.

### **Existing Sector Plan**

*Where a sector is covered by an existing governorate-wide strategic plan*, the governorate may propose any type of project in that sector which has been generated from the plan. However, such project proposals must be consistent with the plan, and some governorates with sector plans which have been shelved for several years may wish to allocate LD II-P funding to update these plans and to generate specific project proposals. Within these sectors, and particularly in the water sector, it is advisable to prioritize projects in this order: completion, upgrading (of source or storage works), rehabilitation, and extension. Sector-specific project priorities are discussed in more detail in sector planning guidelines to be supplied by the technical assistance contractor.

A governorate may propose one feasibility study for a new wastewater project on the condition that the governorate allocates funds for a wastewater sector plan or already has a wastewater plan which has fully addressed the rural wastewater sector.

### **PHYSICAL PLANNING STUDIES**

As in the third year of the project, each governorate may request LD II-P funds for a physical planning study of a rural or urban settlement. The governorate capital city is excluded. Only one study per governorate is allowed so adequate technical assistance can be extended by Chemonics.

A physical plan shows the existing physical situation of a specific area, based on available data about people, resources, buildings and infrastructure. It then shows future spatial scenarios in stages, in consideration of influencing policies, programs and projections. The most suitable scenario then becomes a guide for development.

Physical planning provides several benefits. It enables one to see the current and future relationships between an area's population and its needed services. It allows one to interrelate different types of infrastructure (e. g., water and electricity) so as to assess how changes in one service influence others. Finally, it helps compare the

form, needs and implications of different future distributions of people and infrastructure in the settlement. Because it is multi-sectoral, physical planning is a valuable complement to sectoral planning.

Governorates considering a physical planning study are advised to consult Law 3/1982 which governs physical planning. Particular attention should be paid to its provision for the formation and/or activation of Governorate Physical Planning Committees.

LD II-P funds for a physical planning study may be used to employ consultants to do the whole study, to do specific parts of it (e. g., area surveys or data analysis) or to extend technical assistance to local government staff in their preparation of the study. In any case, the LD II-P planning application form must specify in detail how the requested funds will be used.

## **BUILDINGS AND ROLLING STOCK**

Although free-standing planning forms have been developed for building and rolling stock project proposals, every effort should be made to select and plan these types of projects with reference to the development objectives in the basic sectors of water, wastewater, and market access roads. For example, the purchase of sewage evacuation trucks should be planned in relation to wastewater sector objectives, the planning of markaz centers for water project maintenance and repair should be oriented to the needs of the water system envisioned in the sector plan for water, etc. Low priority should be accorded to types of project such as community halls, which do not provide basic services in this sense.

Some specific restrictions apply to rolling stock projects. The purchase of heavy (i.e., earth-moving) equipment is not allowed in the fourth year, regardless of the source of the equipment. Nor are the governorates allowed to purchase spare parts, though LD II Bab II funds may be used for this purpose. Rehabilitation of DSF equipment should be accorded high priority; block-grant funds may be allocated for turnkey contracts for equipment repair with dealers. Block grant funds may also be allocated for maintenance/service contracts with dealers if there are insufficient MLA Bab II funds for this purpose. Finally, each governorate may propose to purchase up to two pick-up trucks for purposes of project construction supervision and O&M activities. All equipment purchase is subject to the regulations of PIL 5a.

With respect to building projects, high priority should be accorded to the completion and outfitting of maintenance centers. No new maintenance center construction projects will be allowed this year.

No more than LE 55,000 in block-grant funds may be allocated for the upgrading, rehabilitation, or construction of village council office buildings. These funds must be matched by an additional LE 7,500 in cash contribution from the governorate. There is no restriction on the number of such projects as long as the total block grant funding for this type of project in governorate does not exceed LE 55,000. This type of project should be accorded low priority.

## **INFORMATION SYSTEMS**

Upgrading local governments' capacity to collect and apply information for improved planning, implementation, operation, maintenance, and finance of infrastructure and basic services is one of the objectives of the LD II-P Project in the 1990s. Increasing capacity for information systems will require improved facilities, equipment, training and new management skills. Sustaining upgraded information system capacity requires institutionalization, within government units, of the skills and knowledge needed to collect, process, analyze, and apply information. The capacity to obtain crucial maintenance, training, and technical assistance resources, either from within the organization or from the private sector, is also necessary for sustaining an upgraded information system.

For the fourth year of LD II-P funding, each governorate may allocate up to LE 100,000 in USAID funds for information systems projects, according to the following priorities:

- Support for improved monitoring of subproject progress, management, and operations.
- Computer applications to support the improved quality of subprojects in the areas of design, contract management, construction supervision, and operations and maintenance.
- Automation to improve local revenue collection and management systems.
- Applications to automate and recover the cost of providing services.
- Support for developing service delivery indicators and measures of impact of development activities.
- Support for establishing computer service centers to assist with procurement, training, desktop publishing, and geographic information systems.

Local government departments, both at the governorate and marakez level, may submit IS projects consistent with these funding priorities. Cash contribution equal

to 25% of the block grant allocation to the IS project must be added from the governorate.

Similar to other types of projects, information systems projects should be submitted in the appropriate planning forms and following the specific IS guidelines developed for that purpose.

### **PILOT COST RECOVERY SCHEMES**

Each governorate must submit, with its investment plan, a regulatory framework and action plan. This plan will outline the implementation of two or more user-finance schemes for the recurrent (O&M) costs of one or more USAID-financed water or wastewater projects. Only new water and wastewater projects, projects currently in operation, or those nearing operationalization, should be used.

A scheme should aim at total or near-total user finance. In some governorates, the extent of user finance may be limited by restrictions on the level of user charges or tariffs; in these cases, charges should be set at the legal maximum. In cases where the maximum user-finance revenues allowed by law will cover less than 75 percent of total recurrent costs or where the governorate is unable to propose any scheme, it must present in its place a detailed description and analysis of the legal, administrative, and/or technical reasons why such schemes are not feasible at the present time, and indicate what types of interventions would be required to eliminate these obstacles.

### **LOCAL ALLOCATION CRITERIA**

The GLDC is responsible for setting priorities among sectors. It is also responsible for the initial distribution of the block grant among the cities and local units. GLDC allocation decisions, as well as allocation decisions at lower levels of the local government system, should be governed by the following considerations:

- Basic services are presently unevenly distributed over the governorate, both among and within communities. Funds should be distributed according to degrees of need.
- The capacity to absorb project funds is unevenly distributed over the governorate, that is, some marakez and local units have limited capacities for planning, design, and monitoring. Alternatively, consideration may be given to supplementing the capacity of weak units by employing professional design and construction management services.
- No more than LE 300,000 of the USAID grant for projects in poor urban neighborhoods may be

allocated to the governorate capital, and no less than LE 100,000 may be allocated to any other city.

Several city areas include villages which do not have village councils. These villages should be allocated funding shares by the GLDC from the village council component of the block grant.

### **SECTION 3**

## **PROJECT PLANNING AND DESIGN**

Project planning will make use of sector-specific planning forms. All completion project proposals must provide a statement of previous investments in terms of fund, fund source, and fund uses.

All proposals for projects where total anticipated cost (regardless of the number of years required for implementation) is LE 500,000 or more must include a feasibility study with the planning form.

All proposals for projects of a pilot nature (such as wastewater or solid waste disposal projects) or which raise feasibility issues, must be accompanied by a feasibility study, regardless of their cost. Also, the technical assistance (TA) contractor is authorized to determine that a proposed project requires a feasibility study.

The governorates are reminded of the importance of compliance with proper procedures for the amendment of LD II-P projects. Where the original project was allocated less than LE 200,000 in block-grant funds, the planning form and a one-page LD II-P project amendment form (available at the Village Development Department) should be submitted to the GLDC for approval. If approved, the documents should be transmitted to the Village Development Department for recording and for transmission to the MLA Amana. The Amana and the TA contractor then technically review the proposed project. If the proposal is technically satisfactory, the MLA Amana notifies the governorate. The Village Development Department has the responsibility of assuring that changes are registered in the Quarterly Progress Report and on all LD II-P project data bases.

Where the original project was allocated LE 200,000 or more in block-grant funds, the same procedure is followed with the additional step that the Amana will submit the proposed new project(s) to the PLDC for review.

In either case, a project is not formally changed until the Village Development Department has been notified by the Amana that the change has been approved.

Compliance with these amendment procedures is now a prerequisite for future block-grant funding. Moreover, the governorates are advised that USAID and the PLDC will interpret aggregate change of over 10 percent in any one annual plan's allocation as evidence of poor planning, with implications for future funding levels for such governorates.

## **SECTION 4**

# **IMPLEMENTATION MONITORING AND QUALITY CONTROL**

### **MONITORING AND EVALUATION**

The LD II-P project monitoring system has been substantially restructured and expanded. The new system has been designed to increase the capacity of local governments to analyze project implementation data by sector, size, locality, stage, and contractor to precisely identify problems of performance which can be addressed by subsequent improvements in task allocation, scheduling, budgeting, contracting, and/or training. Use of the new system is required for reporting on LD II-P projects.

The first step in the development of this Integrated Subproject Information System (ISIS) was undertaken with the incorporation of data on project components and dimensions into the third-year project database. The governorates are asked to do the same for their fourth-year projects. In addition, the governorates are asked to begin the process of entering first- and second-year project data into the ISIS data base. Information on the components and dimensions of previous-year projects may be obtained from several sources—project handover documents, project tender documents, or project planning forms. Where the components and dimensions of the project-as-implemented differ from these of the project-as-planned, use the former type of data. All progress report printouts must bear the signature of the Secretary General, certifying the accuracy of the data.

In addition to these data collection and entry requirements, the governorate must submit a plan for the development of its project implementation monitoring capabilities. This plan must be oriented to the following concerns:

- The identification of project monitoring requirements: the types of information needed to assess project implementation progress and quality, data collection and reporting instruments and activities, sampling techniques and field visits to spot-check the accuracy of data collected, accountability for the accuracy of the data, types of

data analysis required, uses and distribution of data analysis, and follow-up of recommendations.

- The allocation of these tasks among the governorate's service directorates, planning, monitoring, and statistics departments, and its information and development departments.
- The hardware, software, staff, training and other requirements for establishing monitoring and evaluation units at the governorate, and, if desired, at service directorates or marakez.
- A management structure for the development of the plan and for follow-up of its implementation.

The governorates will be allowed to use LD II funds for service contracts for computer equipment.

## **CONSTRUCTION SUPERVISION AND TESTING**

Adequate provision must be made for construction supervision and materials and product testing. In the case of projects whose total anticipated funding is LE 500,000 or more (regardless of the number of years required for implementation), funding for professional construction supervision service contracts must be included in the project proposal. This contract may not be let to the contractor responsible for the construction itself, though it may be let to a contractor who designed the project provided he is not the construction contractor also. (Listings of qualified construction supervision contractors will be provided by the technical assistance contractor).

In the case of projects whose total anticipated funding is LE 200,000 or more (regardless of the number of years required for implementation), the governorate must name a qualified engineer for full-time (i.e., daily) on-site supervision during the construction period. In addition, the governorate must contract with one or more companies or institutions (such as regional universities) for periodic construction supervision of projects in each of the three principal sectors of water, roads, and wastewater. These contracts will include a requirement for materials and/or performance testing prior to takeover by the governorate. These contracts cannot be let to companies which have LD II-P construction contracts in the governorate. The governorate may wish to award this contract to the company contracted to supervise projects over LE 500,000.

The governorate plan must include an overall construction supervision plan which sets out the manpower, materials, equipment, and transportation requirements aggregated from the construction supervision requirements of the individual projects.

The construction supervision plan should compare these requirements to existing capabilities, identify deficits, and identify strategies (e.g. transportation rental) to address the deficits. The governorates are advised to begin aggregating these requirements early in the planning process so that they can allocate funds from the block grant to address construction supervision needs, since the feasibility of these plans will be carefully examined prior to approval of the governorate plan.

## **SECTION 5**

### **PREREQUISITES FOR PLAN SUBMISSION**

The preconditions for submission of fourth-year plans to the PLDC and USAID are the following:

- 1) Certification of deposit of five percent Ministry of Planning contribution to the USAID grant.
- 2) Certification of deposit of five percent governorate contribution to the USAID grant.
- 3) All previous LD II-P projects have been started (i.e., work orders have been issued). Simple transfer of project funds from one government agency to another does not qualify the project as "started."
- 4) One hundred percent of first-year LD II-P funds have been spent (i.e., made over as payment to contractors for work done), 80 percent of second-year LD II-P funds have been spent, and 50 percent of third-year LD II-P funds have been spent. Project expenditure data should be submitted to the MLA Amana in the newly-developed ISIS format.
- 5) The plan and budget for the use of Local Administration Bab II funds for O&M have been updated. Decisions about the allocation of 1990/91 O&M resources—financial, material, and human should be based on a critical review of previous year O&M activities and expenditures.
- 6) A report on 1989/90 LA Bab II expenditures has been submitted to the MLA Amana.
- 7) Funds must be allocated in the plan for a sector planning study in at least one sector (water, wastewater, roads). (See Section 2.)
- 8) Two or more schemes for user finance of recurrent costs of two or more water or wastewater projects has been submitted (see Section 2).

- 9) The governorate has submitted an action plan for the development of a project implementation monitoring management system (see Section 4).
- 10) The governorate has developed an overall plan to address the construction supervision requirements of proposed projects (see Section 4).
- 11) Compliance with LD II-P project amendment procedures (see Section 3).

Governorate plans must be submitted to the PLDC with a copy of the minutes of the GLDC meeting in which the distribution of the block grant within the governorate was set out (with reference to the governorate's principal basic services development objectives) and the minutes of the GLDC meeting at which the final plan was approved. The governorate plans should also include sectorial development policy statements for the three main sectors. These statements should define the 1992 and 1997 service coverage targets, should show how the proposed projects relate to these targets, and should provide a budget showing the levels of future funding needed to achieve the targets and the probable sources of these funds.

With respect to prerequisite 4, the minutes of the GLDC meeting at which the block-grant distribution plan is set out must also include a timetable and resource allocation plan for the supply and entry of data on all years' LD II-P plans.

With respect to prerequisite 9, the governorate should submit with its capital investment plan:

- The names and positions of the official(s) responsible for the development of the monitoring system development plan.
- The administrative location of the planned system(s).
- An estimate of the required staff, materials, and cost.
- A schedule for the development of the plan and a deadline for its submission.

**ANNEX**

**PRECONDITIONS FOR RELEASE OF  
PROGRAM FUNDS**

*These preconditions, excerpted from the Fifth Amendment to the LD II Agreement, apply to the relationship between USAID and the GOE as a whole and hence are to be distinguished from the Preconditions for Plan Submission outlined in Section 5 of the Guidelines. However, since disbursements to the governorates presuppose the release of funds to the GOE, the governorates should be aware of these preconditions and the governorate's potential role in their fulfillment.*

## **SECTION 2. *The Sector Assistance***

**Section 2.1. *The Sector Assistance.*** Of the amount of the Grant provided pursuant to Section 3.1 of the Grant Agreement, Fifty Seven Million U.S. Dollars (\$57,000,000) shall be provided as Sector Assistance ("Sector Assistance").

**Section 2.2 *Requirements Precedent to Disbursement of Sector Assistance.*** Prior to the disbursement of the Sector Assistance Grant proceeds, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

- (a) a designation of the interest-bearing bank account to which Grant proceeds for Sector Assistance are to be deposited, together with the Grantee's certification that such bank account is established and will be maintained in the manner required by Section 2.6(b) (i) of this Fifth Amendment to the Grant Agreement;
- (b) a statement of the means by which funds will be withdrawn from such bank account;
- (c) evidence that the Grantee has instructed all governorates to apply Prime Ministerial Decree No. 578 (1986) to maximize to the extent possible operations and maintenance cost recovery for local services projects by local user organizations;
- (d) evidence that the Grantee has requested that each governorate increase local user fees and charges enumerated in Ministerial Decree No. 239 (1971) up to the allowable ceiling authorized by Local Government Law 145 (1988) in order to begin to cover the recurrent costs of local services projects;
- (e) evidence that the Grantee has approved in form and substance satisfactory to AID, a scope of work for and authorized the use of Grant funds adequate to finance a study and analysis to: (1) estimate actual expenditure and revenue needs, and recommend a schedule for increasing and retaining in Governorate Local Services Development Fund accounts, local fees, user charges, and applicable taxes, to cover the recurrent costs of local services projects; and (2) develop a feasible grants system or revenue sharing formula for the allocation of central government budget support to local government units;
- (f) evidence that the Grantee has transferred to AID the Egyptian pound equivalent of Fifty Seven Million U.S. Dollars (\$57,000,000) (based on the prevailing commercial bank Egyptian pound/U.S. dollar rate of exchange for the purchase of Egyptian pounds in effect on a date to be specified by AID), for deposit into an AID trust fund account for the purpose of financing Block Grants to governorates.