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RESULTS REVIEW AND RESOURCE REQUEST

**USAID/CAIRO RESULTS REVIEW AND RESOURCE REQUEST
APRIL 1996**

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RESULTS REVIEW AND RESOURCE REQUEST: USAID/CAIRO

I. Progress in the Overall Program and Factors Affecting Program Performance

Mirroring the political life of Egyptian policy reform, accomplishments in Sector Policy, Agricultural Policy and Credit, and the various infrastructure programs generally slowed down over the last two years. With elections over and a new, more reformist government installed, another cycle of liberalization that will carry Egypt into the 21st century is anticipated. Withholding funds when reform slowed, will now enable the Mission to more seriously engage the new government as it approaches reform with renewed vitality.

Viewed over the past ten years, Egypt has moved from an inward looking socialist state with little private sector activity outside of agriculture, tourism and informal enterprises to one with a growing private economy. Reforms started in 1986, slowed in the late '80s, and again in the mid '90s, but overall progress has been strong, even if unsteady. Based on recent developments, Egypt's commitment to reform is renewed and, in keeping with our Strategic Objective No. 1, USAID is continuing to provide assistance to enable Egypt to move surely into its future.

In late 1995, Egypt elected a new Parliament and in January 1996, Kamal Ganzouri replaced Atef Sedki as prime minister, a position Sedki had held from 1986. Egypt's present economic policy program started with the Sedki government's agricultural reforms carried out from 1986 onwards, and included the successful stabilization from 1991 to 1993. By 1994, however, the Sedki government's reform weariness made the transition from stabilization to structural adjustment half-hearted and hesitant.

Ganzouri's new government was inaugurated with a clear mandate from President Mubarak to accelerate privatization, encourage investment, and liberalize the economy. This dramatic shift in policy direction was achieved in large part by the U.S.-Egyptian Partnership dialogue, especially by the Partnership's Presidents' Council. The Egyptian private sector leaders on the Presidents' Council made a convincing case to President Mubarak and Prime Minister Ganzouri that Egypt had run out of time, that immediate and accelerated structural reforms were essential to stimulate a new and robust pattern of sustainable growth and development, and that absent reforms there was no future for the country. Shortly thereafter, Vice President Gore came to Egypt and strongly endorsed the new commitment for reform. In recent years, USAID has been encouraging and supporting Egyptian private sector leaders and groups to participate in the reform debate, take public stances on policy issues, and get involved in the development process. Through

the Presidents' Council and other private sector associations, Egyptians are taking ownership of the reform process. This, too, is a major breakthrough.

In 1995, GDP grew by 3.2%, keeping slightly ahead of population growth. This is an improvement over recent years when stagnant growth has eroded the standard of living, but the new government freely states that greater growth is needed. Recognizing that keeping up is not enough, President Mubarak clearly charged the Ganzouri government to thoroughly reform the economy. The Minister of the Public Business Sector has seriously begun privatization work plans, and has aggressively started discussions with donors to support these.

The Egyptian government has taken a conservative approach towards political reforms, preferring to have economic growth in the foreground. Because of this, USAID has adopted an overall sub-goal aimed at improving the environment for the growth of democracy. Our efforts focus on strengthening existing representative institutions - the legislature and civil society - and making the judiciary more responsive to needs of the emerging private sector. While the latest (1995) elections did not produce the pluralism earlier expected, it was nevertheless encouraging that no parties boycotted, as they had the previous time. The increased representation of the private sector within Parliament should also provide it a stronger lobby.

In population and health, the 1995 Demographic and Health Survey reports continued progress toward meeting GOE fertility and health status goals. The fertility rate is down by nearly 10% in just three years--from 3.9% in 1992 to 3.6% in 1995. Health indicators show similar progress. Under five mortality is down by about 5% in just five years--from 84.8 in 1990 to 80.8 in 1995. The national family planning program has successfully served more accessible market segments (urban, educated, and middle class women), resulting in a contraceptive prevalence rate (CPR) of 47.9% in 1995. The rate of CPR increase was rapid during the late 1980s, but slowed in the early 1990s. This deceleration resulted from "population momentum" -- large new cohorts of young women are now entering their reproductive years, requiring that services be provided to millions of new clients simply to maintain current coverage (CPR) levels. Furthermore, as the program approaches a 50% CPR, the remaining target population increasingly consists of difficult-to-reach illiterate, rural, and poor women, resulting in slower progress.

In environment, 1995 was a year of considerable progress. An additional 7 million people in Cairo, Suez, and Ismailia received access to water and wastewater services. The past year also saw important public utility autonomy and tariff reforms (in all locations sought except Cairo) that will help assure sustainability of water and wastewater infrastructure, so much of which has been financed by the USAID program in Egypt over the past 20 years. The Ministry of Local

Administration, with the concurrence of President Mubarak, took the bold step of granting institutional and fiscal autonomy to water and wastewater utilities in seven governorates, in three of which USAID's Secondary Cities Project is working. The affected utilities will now be able to operate on an economic basis, covering not only their recurring operations and maintenance expenses, but recovering capital costs, as well.

In addition to the sub-sectors of water and wastewater, there was significant progress in reducing the generation of air pollution. Ongoing activities introduced energy efficiency applications and pollution prevention technologies including: \$20 million in energy savings cumulatively realized, increased metric tonnage of pollution averted, and a growing number of private and public firms replicating technologies introduced.

President Mubarak's concurrence in the 1995 public utility reforms was a precursor to the more sweeping changes his government is introducing in 1996. Through economic growth, democracy, population and health, and environmental programs, USAID is helping Egypt to sever its ties to failed policies of the past so that the Egyptian nation may realize the hopes and aspirations of its people as they enter the next century.

The R4 reports results based on the Strategic Framework developed for the new Country Strategy. There are some important changes from the format reported in last year's Action Plan. For example, the Action Plan had four economic growth SOs that have evolved into our current SO 1: Accelerated private sector-led, export oriented economic growth. Other changes include adding a female education objective and the splitting the democracy objective into three separate ones.

II. Progress Toward Achievement of Strategic, Special and Support Objectives

Strategic Objective 1: Accelerated private sector-led, export-oriented economic growth.

A. Summary of Data

At the SO level, actual GDP growth during FY 1995 was 3.2%. The private sector share of GDP is currently 62.6%. The Performance Monitoring Tables which

provide a summary of data for measuring achievement of the SO and major intermediate results are attached.

B. Analysis of SO Progress

SO 1 The major indicator for the SO is the real GDP growth rate, which rose from 0.5% in 1993/94 to 3.2% for 1994/95 (IMF/GOE agreement in April 1996). The increasing growth rate is promising, but may only represent a recovery from recession rather than the start of a sustainable higher growth rate path.

IR 1.1 Increased Private Sector Exports. Private sector exports increased by 4.9% from 1992/93 to 1993/94. Private sector export data for 1994/95 are not available. However, the GOE reports that overall non-petroleum exports increased by 87% from 1993/94 to 1994/95. This rate is not confirmed by importers of Egyptian products, but in any event, it is not a sustainable rate of growth. ~~Furthermore, it appears that the private sector did not share in these unusually high level of exports.~~ Next year, statistical data on the private sector will be available again for 1995/96 and should clarify the situation.

Of the 87% increase in exports, textiles and garments accounted for about 39% and agricultural commodities for about 26%. Much of this represented sales from inventories of cotton and yarn. Metals, chemicals (e.g. fertilizer) and mineral products also experienced large increases.

IR 1.2 Increased Productivity of Private Enterprise. Agricultural productivity as measured by real value added per hectare, increased from LE 611 in 1993 to LE 635 in 1994. Data for 1995 is not yet available. An unambiguous measure of overall private sector productivity, or even of productivity in the whole economy is also not available at this time. The Mission and GOE, using National Income Accounts, will develop a total factor productivity measure during the coming year to better measure productivity for the economy, especially for the private sector relevant to this strategic objective.

Water is the most limiting factor in Egyptian agriculture and Egypt is moving from a period of water abundance to one of scarcity. Efficient use of water is becoming increasingly important, not just in agriculture but among all users. Water use efficiency (the value of agricultural production per cubic meter of water) increased 24% from 1986 to 1994.

While substantial progress was made in the agricultural policy area during 1986-1994, the pace slowed somewhat in 1995. Specifically, attempts were made to control prices of cotton and fertilizer and fertilizer distribution was returned to the public sector. This policy reversal is directly attributable to GOE ownership of the

processing sectors and their desire to keep raw material costs low. USAID promptly opened discussions with the GOE on this issue and achieved a partial removal of controls, including freeing of cotton trade, but price controls remain an issue.

IR 1.3 Accelerated Privatization and Improved GOE Support of Competitive Markets. The pace of privatization was gradual and cautious, but is now picking up. Actual privatizations were 10 in 1994 and 15 in 1995 (including liquidations). In addition, minority shares were sold in 14 companies. The Prime Minister announced ambitious targets in 1996 that would triple the rate of privatizations. While state owned enterprises account for only about 8% of GDP, they are important in many sectors such as manufacturing and agriculture, resulting in poor performance and deterring private sector entry.

The Commercial Policy Index that measures the business environment and economic freedom rose from 21 in 1993 to 41 in 1994 and 42 in 1995. The large improvement through 1994 represents the impact of the first round of policy reforms that included reduced budget deficits, liberalized exchange rates and tariff reductions. Little additional progress was made in 1995.

In the power sector, reforms that were within the authority of the Ministry of Electricity and Energy were implemented as planned. Less progress was made on other reforms involving financial viability and regulations, that require high level GOE commitments. As a consequence, \$50 million in payments are being withheld while the reforms are pending.

C. Contribution of USAID Activities

IR 1.1 Increased private sector exports

Liberalized trade. There was some progress on administrative measures to promote exports. One-stop shops were begun and quality standards for exports were relaxed. The GOE further improved its temporary admission system for imported inputs to be used for production of exports. No progress was made on additional tariff reductions in 1995, but the new government recently announced tariff reductions for imported capital goods.

Accelerated adoption of improved products and technologies. Mission agricultural research and technology transfer activities build on the groundwork laid by the National Agriculture Research Project (NARP). For example, under NARP a group of 25 private sector exporters/growers went on a guided study tour of European markets to understand transportation, handling, processing and marketing of high value crops. The trip succeeded in linking exporters directly with a wider group of new importers and freight forwarders/handlers. As a result, some growers adopted

a new packaging technology that allowed them to switch from much higher cost air freight to the first-ever shipment by sea of Egyptian-grown spring onions directly to a UK super-market. Another outgrowth of this trip was the formation of a new Horticultural Exporters Improvement Association (HEIA) that serves as a focus group for both "demand driven" technology development and advocating for trade policy reforms.

The GOE's desire for the provision of technical assistance to lead to ISO 9000 certifications for private sector firms is a clear indication of interest in export development. The selection of IESC to provide this assistance on an interim basis until the Federation of Egyptian Industries has the management capacity to assume control further suggests the urgency for export development felt by the GOE. The same is true for the pressure being applied to deliver technology-related services to private enterprises via Manufacturing Technology Centers.

Increased access to market information. Four years ago, the Trade Development Center (TDC), a local NGO, began implementing an export development program with USAID support. TDC market information service have helped private firms to enter European markets.

The Agricultural Technology Utilization and Transfer project (ATUT) has developed a Market News Information Service (MNIS) for use by Egyptian horticultural exporters and farmers. ATUT currently subscribes to three market price services and has developed two reports to date covering 16 crops (additional pricing and packaging information has been accessed through Internet sites). The MNIS includes prices for select European markets (England, France and Germany). Available additional information on packaging sizes, importation rules and regulations, grades and standards and approved pesticides and residue levels has been included in the bi-weekly report.

Increased access to reliable power and telecom services. USAID and the GOE have implemented 15 projects in the electric power sector totalling nearly \$1.6 billion since 1975. Much of the early investment went to stop gap measures needed as a result of long overdue capital expansion of generating facilities and poor maintenance. Today, electricity generation and transmission facilities are sufficient to meet projected demand until the year 2004. One indicator of the Egyptian Electricity Authority's (EEA) increased efficiency is the fact that it increased electricity sales by 6% in 1995, while reducing its fuel consumption per KWH by 1%. The Mission is currently in the process of increasing the quality of EEA's management as the service provider. An institutional development contractor is working with EEA's management to improve operations and maintenance as well as to address its management training needs.

Since 1978, USAID and the GOE have implemented four telecommunications projects totalling \$324 million and have provided an additional \$62.6 million in CIP support for telephone exchanges. USAID's activities have resulted in the installation of 266,000 new lines (of these, 75,000 were installed in 1995) on a state of the art communications system (a 10% increase in workable lines) as well as the upgrading of 80,000 existing lines. USAID has also upgraded switches lines and exchanges. These interventions greatly improved the quality of telecom services, thereby enhancing considerably Egypt's appeal to private sector firms for whom good communications are a *sine qua non*. Despite our progress in the sector, expansion of the network is progressing slowly with phone services available to only 5% of the population.

IR 1.2 Increased productivity of private enterprise

Liberalized markets. The agricultural sector has been transformed over the past ten years by the Agricultural Policy and Credit Program (APCP). In 1986 the sector was virtually 100 percent planned and administered by the GOE. Today it is almost completely free and in private hands, with the exception of the agribusiness sub-sector. APCP succeeded in creating free markets for over 20 agricultural commodities, improving the performance of the Agricultural development Bank; eliminating most of the unwarranted GOE regulations in the agriculture sector, and freeing trade for both inputs and products. GOE interventions in quotas, planting targets, price fixing, cropping patterns (i.e. who plants what, where) have been sharply cut back. Only sugar cane remains under strict GOE control. Crop production increased by 2.8% per year following the reforms compared to 1.1% during peak years of GOE control. Real farm income for 4 million Egyptian farmers has increased by 30% following the liberation of prices and trade.

There has, however, been a slow down in policy progress over the last two years, in part because many of the remaining reforms are broader and more difficult to implement. Price controls were re-introduced in 1995 for fertilizer and cotton. USAID promptly opened discussions with the GOE on this issue and has achieved the lifting of controls on the import and export of cotton.

USAID is taking advantage of the positive synergy between policy and technology. For example, with the lifting of the subsidies on fertilizers and pesticides, there was an increased demand for technology and management; higher market prices for fertilizers resulted in more efficient fertilizer use, lowering the farmer's costs without decreasing her yields. The revised GOE policies on agro-chemicals has led to greater emphasis on Integrated Pest Management techniques, that have resulted in a remarkable decrease in the incidence of pesticide residues detected at the British importers quality control lab.

Accelerated adoption of improved technologies and management practices. Over the past 15 years, USAID has provided funding for agricultural research, technology transfer and water resource management. An effective research system has been developed and irrigation systems have been rehabilitated. As a result of these and other policy improvements, the real value of crop production increased by more than 60% over the 1980-94 period. Egypt exceeds world average yields in 28 of 31 major crops.

Success in the agriculture policy field is being complemented in our technology transfer and research activities. There is considerable interest in technology transfer from private sector growers and exporters. This was evidenced in a customer survey done as part of the design of a new technology transfer activity and by the enthusiastic involvement of the private sector in selection of research grant topic, seminars and workshops.

Expanded and deepened financial services. USAID's Commodity Import Program (CIP) is currently providing some \$4 million a week in credit to private sector borrowers to purchase US commodities. This program has expanded access to smaller businesses, export-oriented businesses and businesses located in disadvantaged areas such as Upper Egypt.

The Capital Market Authority (CMA), with USAID-provided technical assistance for studies, took measures to improve the functioning of the capital market and increase its contributions to the financial sector and to the economy. In particular, it deregulated brokerage commissions and took a number of actions that served to facilitate more active trading on the stock exchange. The higher level of activity made it possible to sell a significant number of shares of public sector companies which, if continued, could result in the privatization of many of these companies. Regulations were clarified in order to permit the introduction of new financial instruments as well as the renewed use of old instruments such as private corporate bonds which had not been issued for nearly forty years.

Improved capacity to promote SEB growth. The program has demonstrated that the credit needs of the poor can be met at market based rates of interest. USAID and other donors have begun to develop market institutions necessary to support SMEs. USAID's microenterprise program, initiated in 1988 has reached some 60,000 low income inhabitants in Egypt. It developed foundations in Cairo, Alexandria, Port Said and Upper Egypt. The Alexandria based foundation averages LE 5 million in loans monthly to some 2,000 small and micro enterprises (SMEs) businesses. In Cairo the foundation makes some LE 4 million in loans per month to 1,500 SMEs. They are experiencing a 97% payback rate. Our Small Enterprise Credit Project, being implemented by a commercial bank, also subsumed under IR 1.2, provides about LE 8 million a month in credit to 3,000 SMEs. The World Bank

has identified our Foundation and Bank based credit programs as first-rate models for SME credit around the world.

Lending to small and medium, non-farm enterprises by PBDAC (Principle Bank for Development and Agricultural Credit) jumped from almost nothing in 1993 to a portfolio of LE 80 million in 1995. The growth in this type of lending, made to over 80,000 people, was directly and substantially attributable to the impact of the APCP.

Increased access to reliable power and telecom services. See IR 1.1

IR 1.3 Accelerated privatization and improved GOE support of competitive markets.

Increased economic stabilization and structural adjustment. The final disbursement of the second year of Sector Policy Reform I (SPR I) was made in 1995, completing this program in which 37 of 40 policy measures were achieved and \$380 million was disbursed. The follow-on SPR II program was signed in June of 1995, after one year of hard negotiations. No disbursements were made during the remainder of the year although progress was made on many measures. The pace of reform picked up noticeably in 1996. The renewed pace of reform is due in large part to the new government that took over in January, 1996. The Partnership for Economic Growth and Development meeting in January and the approaching Cairo summit also are contributing to the reignition of reform fervor.

The policy reforms from SPR I include reform of the personal income tax system, which removed 3 million low income workers from coverage. The removal of a group of tariff and non-tariff barriers are resulting in greater competition, higher quality and lower prices for all consumers. The reforms have also facilitated the growth of exports, thereby increasing employment and income. Financial liberalization has increased competition for the four public sector banks by allowing foreign and joint venture banks to operate in local currency transactions, to open new branches and to cut their fees. Privatization has moved forward with more than 25 firms being sold, liquidated or otherwise privatized, leading to gains in efficiency and output, as well as improving the climate for new private investment.

Commercialization of utilities. USAID investments in the electric power sector have been concentrated on efficiency improvement in generation and transmission facilities, cost recovery, improvements in operations and maintenance and human resource development. USAID funds are tied to the achievement of annual policy and institutional reform targets, i.e., improvement of EEA's financial viability, autonomy and regulation of the electric power sector.

Earlier activities resulted in almost a doubling of electrical tariffs over a five year period. Tariffs are currently at 80% of economic pricing, narrowing the gap between the economic prices and the prices charged to the customers. This said, however, the current tariffs must increase another 25% to be economically sound. There has been no tariff increase since 1994, when it was raised 4%.

Since 1993, Mission support for telecom infrastructure has been tied to achievement of annual policy and institutional reform targets involving the Arab Republic of Egypt National Telecommunications Organization's (ARENTO) financial viability, autonomy and regulation of the Telecom sector. The number of free calls per phone has been cut back from 1,500 to 1,200, thereby substantially increasing ARENTO revenue. ARENTO has also developed a strategic plan and adopted a profit and loss business plan. ARENTO did not, however, increase tariffs in 1995.

Increased privatization incentives. SPR II measures to support privatizations were satisfied by the liquidation of 15 state-owned enterprises in 1995. APCP measures were initially successful in privatizing fertilizer distribution, but the GOE reversed course and reentered the market when they became concerned about the growing level of fertilizer exports..

Improved allocation of water resources. USAID investments in modern equipment and technical assistance to strengthen the capacity of the Ministry of Public Works and Water Resources to manage the vital Nile River system have played an important role in increasing water use efficiency by 24% since 1986. More significantly, policy analysis and strategy formulation are shaping new policies that provide farmers, through Water Users Associations, a role in the governance of the system, and initiate cost recovery - two evolutionary steps critical to system sustainability and continued increase in water use efficiency.

Increased private participation in policy dialogue. The formation of the Presidents' Council under the US-Egypt Partnership for Economic Growth and Development represents a significant shift on the part of the GOE in regard to the private sector's role in economic planning and development. The call for the creation of a national export strategy equally represents a willingness to reduce protectionism and rely on competitive markets for economic growth.

The continuing, if not expanding, role of the Presidents' Council is clearly indicative of an increasing role for the private sector in economic dialogue. The "privatization" of the Federation of Egyptian Industries and its constituent Chambers of Industry will significantly increase the private sector advocacy role. The continued growth of community-based business associations (modeled after the successful Alexandria Business Association) and linkage through *Business Link* which should be on line during the R4 period promises significant improvements in the success with which the private sector is able to participate in economic

dialogue. The greater visibility of the Egyptian Center for Economic Studies, with its new leadership and its cross-ties with several members of the Presidents' Council, also provides a prestigious voice for private sector economic dialogue. The demonstration effects of these several initiatives are likely to spawn the formation of further groups expanding advocacy.

In addition, the private sector now has a role on the Higher Council for Exports and the public and private sectors collaborated in the development of the Growth Through Globalization initiative. Under this initiative, Egypt's private sector business associations are being given a more significant voice in economic policy dialogue.

The agreement by the GOE to provide technical assistance for the democratization of the Federation of Egyptian Industries marks a milestone in private advocacy group development. In the past, officers of FEI were named by the President of Egypt. Now the mostly private sector membership will elect its officers. As many as 18,000 member industries will have a direct voice in industrial policy-setting as a result. Agreement for the establishment of *Business Link*, a computer-based communications and information network linking all Egyptian business associations together and with the world through Internet, represents another milestone in private advocacy group strengthening.

Increased capacity to prepare privatization transactions. A USAID contractor is working with GOE institutions to increase their capacity to prepare privatization transactions. The target of this assistance is the 17 holding companies that are charged with managing and selling the state owned enterprises covered by Law 203 (Law 203 of 1991, "The Reform of the Public Business Sector," allowed certain reforms in the state-owned enterprises including privatization), that are slated for privatization over the next five to ten years.

D. Expected Progress for FY 1997 and FY 1998

SO 1 Actual GDP growth during FY 1995 was 3.2%. The SO 1 target is 6% growth by the year 2001. Targets for FYs 96, 97 and 98 are, respectively, 3.5%, 3.9% and 4.4%.

The private sector share of GDP is currently 62.6%. The targets for FYs 96, 97 and 98 are, respectively, 63.5%, 64.6% and 65.7%. The target for FY 2001 is 70%.

IR 1.1 Increased private sector exports. The rate of growth for private sector exports is expected to increase slowly during FY 97, accelerating substantially in FY 98 and onward. In addition, a doubling of non-traditional merchandise exports by 1999, and a tripling by 2001, with two-thirds of merchandise export revenues

being earned by non-traditional exports is expected. The initial year (FY 97) will show only a modest increase because of the needs for new investment and training to increase productivity, for effective implementation of less restrictive regulations, and for introduction into new markets. The value of private non-petrol exports is targeted to rise to \$1,300 million in 1996, \$1,494 million in 1997 and \$1,719 million in 1998.

A performance monitoring system for the new Agricultural Technology Utilization and Transfer project (ATUT) has accessed a baseline of over 50 crops exported by the private sector since 1985. A select number of representative crops are being closely monitored to measure the impact of ATUT activities on increasing productivity and exports. ATUT targets an 8% average increase per year in the value of horticultural exports and 10% average increase per year in value-added of fruits and vegetables.

SPR III is currently being developed and negotiated with the GOE. SPR III will target to liberalize trade by supporting further rationalization of the tariff structure, streamlined import and export procedures and increased competition in transportation services.

Continued commitment by the GOE to globalization will provide an enhanced environment for private sector enterprise. Empirical evidence of an increase in the private sector share of exports is fully anticipated, as is an increase in overall exports. Competitiveness of Egyptian business should be improved for the export market due to decreasing transaction costs as a result of GOE policy decisions and enactment of new legislation and regulations. However, more broad-based improvements in competitiveness will be longer term due to the need for human resource development, technology adoption, increased efficiencies (including backward linkages to smaller businesses) and new investment. Awareness of Egypt as a potential supplier in world markets will be enhanced, helping pave the way for market entry as competitiveness improves.

The arrival of the ATUT contractor this Spring will accelerate the process of technology transfer leading to increased private sector exports of high value, high quality fruits and vegetables to Europe. Additional market study tours will be organized for growers and exporters. Customer Service seminars and workshops will continue to involve hundreds of small farmers (including women).

With the full support of several GOE ministers, USAID and private sector associations are now developing a Growth through Globalization results package (GTG) to expand access to support services, including market information. Under this initiative, the GOE will provide easy access to economic and trade data, and the business community will create information dissemination services through "Business Link", a computer-based network of business information accessible by

Egyptian business organizations and their members. Business Link will also connect users to international market information via access to Internet services. In addition, the business community is about to launch a TV program for the general public for the dissemination of business information and private sector "success stories".

The completion of the Market News Service will provide on-line access to European market data. The service will be expanded to include on-line customer access (reports are available to customers only by fax at present), a larger number of European and middle eastern markets as well as technical production data affecting export marketing. A Customer Service Center linked with the Egyptian National Agricultural Library and data bases in USDA and the International Agricultural Research Centers will provide additional important technical information for the production, processing and marketing of horticultural products.

The power sector program has been focussed primarily on the bulk power producer, EEA who generates and transmits electric energy at high voltage to some 40 customers, including 8 distribution companies who in turn sell the energy to some 11 million users at medium and low voltage levels. Greater emphasis will be given to the distribution companies. This new focus will help assure the same policy and institutional reforms and efficiency improvements in distribution that we have achieved in generation and transmission.

Teledensity will increase 50%, from 4.4 per 100 to 6 per 100 by adding over 1.5 million additional lines, the bulk of which will be funded by ARENTO.

IR 1.2 Increased productivity of private enterprise. Private sector productivity increases are expected to be significant during FYs 97 and 98. Agricultural value added per hectare is expected to increase to LE 688 in FY 97 and LE 708 in FY 98. Targets for increased total factor productivity will be reported next year.

SPR III will include measures to encourage savings and efficient channeling of financial resources to the private sector. SPR III measures will support increased competition in and improved regulation of the financial sector.

A significant aspect of GTG will be the identification and improve access to technologies and training needed by the private sector to increase productivity. The planned approach is broad-based, encompassing major industries to small enterprises, including linkages between the two. With small and micro enterprises representing the bulk of the private sector, and productivity increases rapidly realized by this sector, immediate private sector productivity increases are anticipated. Over the longer term, larger enterprises will reflect productivity increases with the utilization of new technologies and trained personnel.

Significant progress will be made toward improving the efficiency of investments in land and water, agricultural research and market information through the Agricultural Policy Reform Program (APRP). A more effective and efficient food safety net will replace the current, costly food subsidy system. All remaining technical and regulatory barriers to open trade in agricultural commodities will be eliminated.

Collaborative research grants for horticulture crops will be instituted under the ATUT project and the strategic research on food crops, conducted with the assistance of USDA and the International Agricultural Research Centers, will begin.

The cotton sector has been one of the most important determinants of growth in the Egyptian economy. However, due to poor policies over the past decade and a half, cotton production has fallen drastically to less than half what it was in 1980. This has severely constrained growth in agriculture and the economy. 1994 was a particularly bad year with production falling 37%. The government made some very significant changes in policies this year which will allow much greater private sector participation in all aspects of cotton marketing, processing, importing and most importantly, exporting. Because cotton is a major part of agriculture and the non-petroleum economy, these changes are expected to have a tremendous, positive impact on overall production and value-added during FY 97-98.

As noted earlier, there have been some reverses in the area of fertilizer and cotton. Prompt and aggressive action on the part of USAID resulted in the roll back of these reversals with regard to cotton. The area of fertilizer has still not been resolved and may be tied to the next policy tranche under APRP. In addition, some of our GOE counterparts are assisting us in trying to resolve these problems.

USAID will help expand the operations of the Credit Guarantee Corporation (CGC), a local NGO. CGC will serve as an umbrella organization to provide assistance to SMEs through various intermediary organizations, including NGOs, that can provide financial, technical and training assistance to the SME sector. CGC will help qualifying institutions to access bank credit for their SME customers and to manage their operations using good business practices to ensure sustainability.

IR 1.3 Accelerated privatization and improved GOE support of competitive markets. The number of privatizations is expected to be 15 in FY 96, 20 in FY 97 and 30 in FY 98. By the end of 1998, over 30% of the key agro-industries (cotton spinning, fertilizer production, flour, rice and feed milling) will be privatized. The Commercial Policy Index will rise from 42 in FY 95, to 45, 47 and 49 respectively in FYs 96, 97 and 98. The target for FY 2001 is 55.

SPR III will include measures to increase economic stabilization and structural adjustment, and to provide additional incentives for privatization. GOE actions to

control budget deficits, reform the tax system and rationalize budgeting will be supported. The program will assist the implementation of a time-phased plan to strengthen the GOE system of national income accounts and improve the timeliness and availability of economic data. SPR III will also support continued progress on the privatization of state owned enterprises and liberalization of the textile sector..

Significant further progress is expected during FYs 97 and 98 as the GOE implements its recently announced new policies and enacts new legislation that deregulates business. GTG results package will provide support to the GOE to enhance its capacity as a facilitator of private sector business, especially for export development. Significant further progress is expected during FYs 97 and 98 as the GOE implements its recently announced new policies and enacts new legislation that deregulates business. New legislation being reviewed includes a new Unified Business Law which will combine the three existing laws related to company formation and investment, eliminating contradictions and simplifying procedures.

The US-Egyptian Partnership through the Presidents' Council, the private sector Egyptian Center for Economic Studies and the collaboration expected from the communications and information linkage of all business associations through the *Business Link* are expected to increase the role of the private sector in policy dialogue. The expected result is an increased role for the private sector in the economy and a redefined role for government.

In the telecommunications sector, ARENTO will be operating under a National Telecommunications policy and will be regulated by a Telecommunications Regulatory Board. ARENTO will have substantial autonomy and will self finance the bulk of telecommunications network expansion. Service will expand to cover 6% of the population. Private sector investment will be a reality and ARENTO management will have been developed to cope with a competitive market.

The power sector will be regulated by a National Regulatory Board. Prices will be based on economic pricing such that private sector investors can compete with EEA. With proper pricing and cost recovery, EEA and the distribution companies will evolve into autonomous, financially viable organizations operating on well established management and financial systems. Additional pricing increases, of about 25%, will take place and EEA's financial situation and financial management will improve

Strategic Objective 2: Increased Female Participation in Quality Basic Education in Targeted Areas

A. Summary of Data

Achievement of the SO will be measured by increases in the number of girls and young women in targeted areas receiving quality basic education. Performance Data Tables may be found at the end of this document.

B. Analysis of SO Progress

This is a new strategic objective and thus the Mission can only project progress against tentative targets with as yet untried indicators. In order to achieve the best estimates and to plan activities, the Mission will undertake a "Target Area Survey". The survey will establish a baseline, assist in setting targets and refine indicators, and should be completed by August 1996. Existing data are based on gross and somewhat unreliable numbers acquired from the Central Agency for Public Mobilization and Statistics (CAPMAS) and from the Ministry of Education statistics.

The primary emphasis of this SO will be on increasing the participation in primary education of girls between the ages of 6 and 13 in rural areas of Egypt. Further analysis will determine whether the strategy will also assist the highest risk urban areas. There are approximately 1.6 million girls falling within this category; the number of targeted beneficiaries will be determined by the Target Area Study. Because of the demonstrated link between mothers' literacy and their daughters' participation in basic education, the strategy will include secondary and complementary interventions in adult female literacy as a means of enhancing our results in basic education. Once the target population of girls are identified and the baseline is determined, USAID will be able to determine the appropriate adult literacy targets.

C. Contribution of USAID Activities

USAID initiatives following the 1994 International Conference on Population and Development lead to the creation of a donors' working group on basic education and literacy. As a result of this and internal strategic planning activities, the Mission has influenced the planning of a major loan (US\$ 200 million) from World Bank and the European Community (WB/EC). The WB/EC program reflects objectives that conform to USAID's strategic framework for female education and our participation in planning.

USAID's renewed engagement in female education also served as a spring board for the establishment of an Education Subcommittee (Subcommittee IV) under the U.S.-Egyptian Partnership for Economic Growth and Development. This Subcommittee will: involve the private sector in developing relevant educational practices for a 21 Century economy; encourage the incorporation of relevant new technologies in the educational system; expand educational options for females; and involve communities in partnerships for enhanced early childhood development.

In addition, the Mission has taken the lead in developing an NGO/PVO working group on female education. USAID-funded pilot activities with two U.S. PVOs are underway. (Programmatically, the grants are presently accounted for under Project 0225, but subsequently the activities will be accounted for in SO 2 tables.) The progress of a grant to the Centre for Development and Population Activities (CEDPA) Partnership Project for Girls and Young Women, and a grant to Save the Children/US (Access to Primary Education and Literacy for Females) will inform future planning; however it is too early in the lives of these activities to apply results. CEDPA's grant, begun in late 1994, should demonstrate the effectiveness of ENGO in carrying out education/training needs assessment and in conducting programs in community-based advocacy, information dissemination, and literacy and skills training. The foundation for these activities has been established, and actual results should be produced this coming year. Save the Children's grant is a scholarship program which will test the impact of school fees and other costs on girls' enrollment. By the reporting period of 1997, results from these grants will be available to guide future scholarship and ENGO programming.

D. Expected Progress for FY 1997 and FY 1998

Until the Target Area Survey is complete and preliminary technical assistance has been utilized, the following targets are illustrative and reflect only our present knowledge of the sector. Both the survey and design services will be solicited shortly and used to develop baselines and annual targets over the next six months.

IR 2.1 Increased number of schools in which constraints to female attendance have been removed. By August, 1996, the survey will have determined a baseline: the number of schools in targeted areas have the defined obstacles to female attendance. As a learning device and to assist with the design of SO activities, USAID will establish 7-10 community schools in the governorate of Assiut through a grant to the UNICEF Community School Program. This will immediately increase access to quality education to 200-300 girls who are not presently enrolled and allow the Mission to improve on the community schools model before scaling up.

Increased number of physical plants well maintained. Baseline for the number of schools in targeted areas will be established and the number with physical plants well-maintained will be determined.

Improved appropriate gender-sensitive curriculum adopted. Technical assistance to design gender-sensitive teaching modules will be procured.

Teachers, staff and headmasters practicing interactive education methods. Technical assistance to design in-service and pre-service training for teachers and headmasters in interactive education methods (e.g., using the materials provided by the interactive distance education activity) will be procured.

Community groups participating in enhancing and supplementing female education. A competitive grant solicitation for the assistance of an International NGO to mobilize community groups will have been advertized.

IR 2.2 Increased demand for female education. The survey will establish the baseline of female enrollment.

Increased numbers of communities delivering literacy to adolescent women and mothers. A literacy baseline will be extrapolated from the Target Area Survey to establish total population of potential beneficiaries (illiterate adolescents and young mothers) in the target areas.

Increased awareness of economic and social returns for education of girls and women. Sample KAP surveys of parents' valuation of female education in the target areas will be taken to establish baseline; awareness will also be measured and monitored through the CEDPA grant.

Increased number of girls financially able to attend schools. Pilot Girls Scholarship (Save the Children) will release first tranche of funding for the program for academic year 1996-97.

IR 2.3 Improved national policy environment. The policy framework will be developed in coordination with the World Bank/EU program.

Decentralized procedures supporting girls school attendance. Dialogue will begin with the MOE on its adoption of girl-friendly policies and procedures for the local level; e.g., allowing flexible schedules to accommodate market days, harvest seasons, and girls' domestic chores, and relaxing age restrictions on enrollment and re-enrollment for girls.

Improved planning, monitoring and financing. Dialogue will begin with the MOE on (i) More balanced GOE budget allocations between primary and secondary/tertiary parts of the educational system (i.e., larger share to primary); (ii) Increased proportion of MOE allocations targeted toward educational functions and decreased share of administrative functions.

Strategic Objective 3: Increased Use of Information Services By The Legislature in Decision-Making

A. Summary of Data

The SO 3 Performance Data Tables can be found at the end of this document.

The indicators were developed in the context of the Mission's Sub-Goal 2 (Improved Environment for the Growth of Democracy). The attached baseline was recently established, February 1996, and the targets were set in light of the baseline and the available resources. As shown in the attached tables, baseline for all but the SO were established. The contractor is in the process of establishing the baseline for the SO level, which will be based on content analysis of existing legislative records to be further supported by members and expert opinions.

While most of the baseline data was derived from interviews with members and staff of both assemblies, the Monitoring and Evaluation system which is currently under design will ensure performance data will be readily recorded and available and that the performance monitoring is institutionalized at the People's Assembly (PA) and Shura council (SA).

In general, the baseline for all results indicate a relatively low starting point. For example, for IR 3.1: *Improved Members Abilities to Make Use of Improved information Services*, the baseline indicate a very low percentage of members currently requesting information (4% for the PA and SA each). The same holds true for IR 3.1.1: *Heightened Members' Understanding of the Role of information in the Legislative Process*, baseline indicates that currently only 1% of the PA members demonstrate awareness of the role of information in the legislative process while for the SA, it is 2% of the members. For IR 3.2: *Improved Information services*, the percent of members who perceive that information services have improved is 0% for both the PA and SA. IRs 3.2.1 through 3.2.5 which make up the various elements of *Improved information services (production of public policy reviews and analysis, and other background information and briefing materials, library more responsive to legislative needs, improved management of human resources and increased application of automation in support of information services)* the baseline confirms the low starting point.

B. Analysis of SO Progress

This early phase of implementation does not allow an analysis of the overall progress toward the achievement of the SO through interpretation of the results data and/or performance information. Nonetheless, reported accomplishment based on customer representatives feedback should not be discounted.

Direct feedback from customer representatives confirm the significance and effectiveness of the training that has already been provided to the PA/SA staffers. During the first eighteen months of the project, prior to the mobilization of the Prime Contractor, the Library of Congress/Congressional Research Services (LOC/CRS) provided staffers with training in the role of parliamentary information services in decision making process and the methodology of objective non-partisan research and analysis. Among reported impacts are: building of openness and receptivity to USAID assistance, more in-depth understanding of the role of information and analysis in a democratic legislature, increased awareness of the important role of the parliamentary library and the need to support it, broadening of the staffers frame of reference when conducting research, and development of a collaborative work relationship between staffers of the PA and the SA and between committee staffers and researchers within the same institution.

C. Contribution of USAID Activities

USAID is the major donor currently working with the legislature. As an approach to improving the environment for sustainable democracy, SO 3 sets out to strengthen the effectiveness of the legislature, whose power offsets the executive and allows more representation of popular opinion in public decision-making. The inadequate availability and flow of reliable information has been identified as a critical factor impeding Egypt's two representative bodies from playing the strong role originally identified for them. Increasing the legislature's use of information in the decision-making process through the provision of relevant and reliable information services and the expanded demand for and use of information based on solid research will enhance the quality and impact of the, advisory, legislative, and oversight functions carried out by the legislature. This will strengthen the ability of this elected body to perform its representative functions and to b a balance to the executive.

D. Expected Progress for FY 1997

During the coming fiscal year, SO 3 is intended to accomplish progress in the two main interrelated result areas of improved parliamentary information services and improved members' abilities to utilize these services. Targets for the coming fiscal year have been set in light of the baseline data and a rational activity phasing plan. At this early stage, more focus will be given to IR 3.2: *Improving the Information Services to provide a stimulus for increased demand by members.* A mix of training, technical assistance and commodity procurement is aimed at achieving the two main intermediate results. Focusing on information services staff (from the committees, research and library), training programs ranging from providing data gathering and analysis skills, basic computer skills, budget and analysis skills, policy analysis skills, utilization of government and general reference sources skills, and library information awareness will continue in FY 97 and FY 98.

Approximately 225 from the targeted staff members will benefit from these activities during FY 97 and FY 98 each. Another set of training programs focusing on administrative behavior, information technology issues and human resource development will also be delivered to 100 of the targeted staff in FY 97 and FY 98. Issues seminars, trips to the US, and in-house Information outreach programs and orientations aimed at heightening members' understanding of the role of information in the legislative processes and spreading the demonstration effect to other members will begin in FY 97 and continue in FY 98. It is expected that approximately 100 members will have benefitted.

**Strategic Objective 4 : Increased Civil Society Organization
(CSOs) Participation in Public Decision
Making.**

A. Summary of Data

SO 4 Performance Data Tables may be found at the end of this document.

The indicators appearing in the Performance Data Table were developed through extensive delineation and refinement of the SO 4 Results Framework beginning in August of 1995. The process was initially assisted by two experts from the Center for Development Information (CDIE) in Washington and continues as more experience is gained in this field.

While the Mission has a fairly long history of assistance to NGOs in Egypt, the Civil Society focus established in SO 4, is a new perspective for the Mission. Therefore, the indicators shown in the attached tables will need to be refined as concrete experience is gained in FY 96 and 97, with collection of baseline data. It is the Mission's plan to contract out the baseline data development tasks and monitoring/evaluation methodology development to an M&E contractor in FY 97.

B. Analysis of SO Progress

The universe of Civil Society Organizations is broad based in Egypt. Under this definition we include registered NGOs and local groups representing community development associations, representative village councils, neighborhood improvement associations, and special interests such as women's groups, and water, hospital and health center user groups. Other examples are trade union members, members of Egypt's 150 advocacy organizations, and "Think Tanks".

Over the past twenty or more years, US and other donor assistance have played a pivotal role in the strengthening of NGOs (Civil Society Organizations) in Egypt, as well as in working with Local Development (LD II). This SO will build on lessons learned in both of these sectors.

PVO development began in the mid 1970s under Title II Food Aid assistance and continuing in the 1980s under Special Project Assistance. As the numbers of CSOs increased in Egypt (we estimate that there are at least 15,000, broadly defined, operating in Egypt today), it became increasingly clear that Special Project Assistance was not providing the type of systematic capacity building that was needed to improve the effectiveness of these organizations. Therefore, in 1991, under the PVO Development Pilot Project, activities were introduced to develop a model system to strengthen Egyptian NGOs (ENGOS); identify technical weaknesses where donor assistance is needed; and channel resources to ENGOS to enable them to provide assistance to poorer people in the underdeveloped areas of the country. The PVO Development Project provided NGO/PVOs support and resources to simplify the USG grant making process, increase community involvement, strengthen collaboration between ENGOS, GOE, and other donors, and improve management effectiveness and institutional growth.

For the past five years the PVO Development Project has worked with a core group of 31 NGOs-- 19 Egyptian, 12 US NGOs. Through this core group more than 200 local associations have been assisted with grants, training and technical assistance, in a wide range of fields, including credit, agriculture, female education, the environment, health, community development, and disaster assistance. Through the PVO Development Project, the Egyptian target group was able to raise their institutional capacity to world NGO standards and thereby become eligible for registration with USAID, and become direct grantees in the future. Ten of the Egyptian NGOs have graduated and will soon be eligible for registration with USAID.

Building on over 10 years experience in Local Development, which indicated that decentralization was a key to sustainability, the Mission will support a new GOE effort (Shrouk) aimed at strengthening local governance and self help. Our policy-based program will be directed at procedural and administrative reforms to encourage decentralization of authority and fiscal responsibility.

USAID's experience with NGOs and PVOs in Egypt over the years continues to point to the need for specific assistance in the areas of institutional development and policy and legislative and regulatory reforms. In clarifying these needs, the Mission developed the SO 4 Results Framework containing fourteen specific Results and associated Indicators lending a measurable dimension to the achievements of institutional, policy and legal reform objectives.

These indicators will show, for example, the percent of targeted groups including village councils, advocacy groups, NGOs, etc. who perceive their organization participates more in public decision making, as well as the increased number of CSOs involved in the public decision making process.

Other Indicators will show the percent of CSOs having greater financial viability; the number of CSO staff trained in management and administrative skills; the percent of CSOs whose membership believe their organization represents their perspective on public issues and community affairs; and the performance of the government in reducing restrictions on participatory groups (village councils, NGOs, advocacy groups) through policy change and/or legislation.

C. Contribution of USAID Activities

SO 4 Increased Civil Society Participation in Public Decision Making. SO 4 aims at improving the institutional capacity and legal/administrative environment for Civil Society Organizations (CSOs) to play a greater role in the public decision making process. The two major thrusts will be to strengthen CSO effectiveness and to improve the legal/regulatory environment in which they operate (see Indicators). The two major target groups will be advocacy-oriented or special interest groups, either grass-roots or centrally based, and representative local government councils (Shrouk)

Active involvement of better organized civil society organizations in public decision making is expected to improve the public decision-making process with more participation and discussion between the government and civil organizations on issues and questions of public concern. Through increased participation, civil society will have greater confidence that their point of view will be heard and that it is an actor in the formal public decision making process. This empowerment is a necessary and fundamental first step towards a more democratic society.

Public decision making under SO 4 is defined as having the ability to promote an agenda at whatever level the CSO is operating, i.e., from the village to the national level. In the case of advocacy groups, this will occur primarily at the national level while in the case of community organizations, the impact will more likely be felt at the local level.

IR 4.1 Increased Effectiveness of Selected CSOs. Being "effective" means the CSOs are organized, governed, and managed competently using participatory principles, know how to identify collective opinions and express them, and are financially able to sustain themselves while undertaking their chartered activities. Improved CSO effectiveness will increase their ability to participate in public

decision making. Effective CSOs can participate in the formal public decision making process (e.g., town meetings, petitions, lobbying) with a greater chance of having an impact on decisions.

Other results include the utilization of a broad range of communications techniques and strategies to implement programs and strengthen constituent, government, private sector, and national ENGO working relationships; higher professional planning and administrative standards in practice.

IR 4.2 Reduced Restrictions on CSOs. Lack of an open public dialogue on economic, social and political issues, the marginalization of the private sector role in the decision making process, and restrictive laws (e.g. Law 32 and the law of local Administration) have limited the effectiveness of CSOs in the public decision making process. Fewer restrictions will allow CSOs to: become more representative of their constituents' interests; become more articulate on public issues; carry out more fund raising; and it will permit more private and/or decentralized participation in local development. It is also expected that the decision-making process will be streamlined, delegating more authority to representative local government to retain and spend its funds for activities it deems priorities.

The expected results are an increased number of CSOs lobbying and petitioning the executive and legislative branches to reduce and/or eliminate restrictions blocking CSOs from full and open participation in economic, social, and political matters; an increase in dialogue between CSOs and the government on common interests and issues; and policy changes allowing CSOs greater autonomy and flexibility in their programs.

D. Expected Progress for FY 1997 and FY 1998

FY 97 will be a pivotal year for improving the environment for the development of Civil Society in Egypt with three major USAID support activities underway, or starting up. The major activities are:

--a two phase (34 million dollar, phase one) program assistance, policy reform program, supporting the local development and decentralization goals of the GOE's Shrouk Program (to be obligated in FY 96); with a planned, three year (70 million dollar), phase two, based on achievement of agreed upon benchmark and objectives, and lessons learned;

--a three year (15 million dollars) extension to the PVO Development Project, reengineered to fit SO 4 Results Framework standards, allowing a transition period to learn more about the possibilities for a third civil society activity in FY 98;

--building on the lessons learned from the reengineered PVO Development Project and capitalizing on new working relationships with Egyptian and US NGOs, the Mission will issue a Invitation for Applications (IFA) seeking a consortium of Egyptian and US NGOs to design and implement a (20 million dollar) "Strengthening of ENGOs Activity having a five year life of project.

Other Civil Society activities will include:

--(1)a two year technical assistance contract to develop the Mission's Civil Society baseline data collection to monitor and evaluate (\$500,000) a sample of an estimated universe of 1,500 CSOs-- these organizations include Shrouk "Mother Village" committees (1200 est.), Advocacy orientated organizations (160 est.) the labor unions, and NGO/PVOs (200 est.);

--(2)building stronger ties with the NGO community in Egypt through a (\$500,000) grant to a US NGO to develop training (Rapid participatory Assessment), capacity building, and NGO/Government/Donor information sharing networks in Egypt and abroad; and

--(3)using resources from (1) and (2) above, to establish the SO 4 Customer Service Planning methodology, monitoring and evaluation systems, and testing the critical assumptions driving SO 4's thrust into increasing Civil Society participation in public decision making.

Strategic Objective 5: Improved Civil Legal System

A. Summary of Data

The indicators reported on in the above referenced table were developed in the context of the Mission's Strategy exercise and the Sub-Goal 2, Improving the Environment for the Growth of Democracy. It is important to note that the targets were established before implementation began, thus indicators and/or targets may need to be changed to reflect what can be achieved within the Egyptian context. The Project will begin implementation in late FY 96 and baseline data will be established. FY 97 will enable the Mission to assess the accuracy of the current indicators and targets. The SO 5 Performance Data Tables can be found at the end of this document.

B. Analysis of SO Progress

Implementation began in FY 96. During the past year, USAID finalized the strategy for an improved civil legal system, developed the performance indicators, finalized a results package, and selected a contracting firm that will implement the activities with the justice sector. This firm will begin work during the second half of FY 96. All activities obligated in FY 96 were negotiated and developed to conform fully with the strategy, program indicators and outcomes.

The indicators used to measure the success of the SO will be the GOE/MOJ acceptance of the model/pilot courts and their replicability throughout other jurisdictions in Cairo; and, an increase in the percentage of rulings that follow accurately the Egyptian civil law.

No targets have been established yet because activities have not begun. The establishment of targets is a priority once the results package gets underway.

C. Contribution of USAID Activities

The pace of democratization, and the development of open market economies need the support of a modern justice system. As Egypt opens its markets to the private sector, the justice system must be ready to absorb growth in contracting and enforcement of contracts. Without this new awareness, growth of the private sector will be thwarted. The development of a modern, informed judiciary provides confidence to the business community that it is operating in an environment that will protect its interests and resolve its disputes quickly, fairly and consistently.

The U.S. government and USAID have a special role among governments and donors in democracy building in Egypt. USAID is the sole donor supporting the justice sector's effort to streamline the courts and be more responsive to a developing open economy through upgrading of judicial knowledge and skills.

In addition to the design of the Improved Civil Legal System activity package, USAID has supported since 1992 human rights related activities through a grant to AMIDEAST. The grant covers legal rights workshops in the rural areas (targeting women, children, and labor), grants for graduate education in the US in human rights related fields, attendance at human rights seminars in Europe and the US, as well as Legal English and Legal Rights English training. In addition, a PASA with USIS has allowed for complementary activities with members of the judiciary, (observational tours in the US, exposure to alternative dispute resolution mechanisms, academic exchanges, and basic law libraries for several law schools and the Ministry of Justice).

IR 5.1 Improved efficiency of two pilot courts. The expected result will be more efficient, automated courts with streamlined procedures. In these courts, justice will be delivered in a more timely fashion and backlogs greatly reduced.

The indicator used will be the percentage of reduction in civil case processing time in the two pilot court systems.

Improved administration of two court systems. Court administration will be streamlined and automated as part of the effort to reduce backlog and introduce successful delay reduction strategies. Baseline data collection will allow members of the judiciary to understand the extent of the overall court backlog and work toward means to reduce them.

The indicator will be the number of court procedures streamlined and simplified in the pilot courts.

Increased access to legal information in two pilot court systems. In the pilot courts, judges will have access to legal data bases which will allow for faster and better informed decisions. This will contribute to the reduction in court backlogs. Ready access to legal data bases will make decisions more consistent with applicable laws and precedents.

The indicator will be the percentage of judges and other court staff utilizing legal systems adequately.

Judges more knowledgeable of Egyptian Civil Law. Judges who will become fully conversant with new, improved laws affecting commerce (both domestic and international) will render quicker and better informed decisions. Relief from prolonged delays in the resolution of cases will stimulate private initiative and generally increase public confidence in the rule of law.

The indicator will be the percentage increase in pre- and post-course training scores.

Overall, an improved court administration and a more informed judiciary will result in a more efficient and transparent administration of justice which will be more responsive to the emerging private sector.

D. Expected Progress for FY 1997 and FY 1998

Better and more detailed information will be available on the justice sector as the collection of baseline data begins, and the indicators are tested. The contractor will begin activities. Activities to streamline court procedures will be underway, and so will be the automation of pilot courts. Activities to strengthen the National

Center for Judicial Studies (NCJS) will begin, and considerable amounts of technical assistance will be deployed both for the MOJ and the NCJS. The GOE appears completely committed to improve the administration of justice, thus assuming all other political variables remain the same, 1997 should be a significant year of progress.

Strategic Objective 6: Reduced Fertility

A. Summary of Data

Continuing progress has been made in achieving Strategic Objective 6 -- reducing fertility. The total fertility rate (TFR) has declined from 5.3 children in 1980, to 4.4 children in 1988, to 3.9 children in 1991, and finally to 3.6 in 1995. Effective programs of provider training, mass and interpersonal communication, and quality improvement have resulted in significant improvements in service quality, awareness and demand creation. While past and current efforts have addressed management capacity, financial self-sufficiency and policy dialogue, progress in these areas is more difficult to measure. Continued assistance is needed at the service and system level, particularly in the areas of service and information quality, GOE and NGO institution building, regional disparities in services and contraceptive use, and policy development and planning. Areas of high unmet need, such as in rural upper Egypt, persist and require specialized focus.

The new results framework represents a continuation of the ongoing USAID population activity, the Population/Family Planning III Project (POP/FP III). The goal of the current project is to assist the GOE to achieve its fertility reduction goals; the purpose is to increase the level and effectiveness of contraceptive use among married couples. Although the current project has a different structure, its achievements can be reported according to the results anticipated under the new framework.

B. Analysis of SO Progress

SO 6 Reduced Fertility. The total fertility rate (TFR) -- the average number of births per woman -- has fallen from over five in 1980 to 3.6 in 1995. This success was the result of a combination of program activities and non-program factors. Program activities supported by USAID that contributed to fertility reduction included upgrading family planning facilities, provision of contraceptives, aggressive nationwide marketing and information activities, and training of health care providers throughout the system.

IR 6.1 Increased Use of FP Services. The Intermediate Result of Increased Use of FP services is measured by the Contraceptive Prevalence Rate (CPR) -- the percentage of married women of reproductive age currently using contraception. The CPR reached 47.9% in 1995 in Egypt, almost double the rate in 1980. Much of this progress is due to the expansion of family planning services, ensuring continuous supply of methods, improved skills of service providers and universal knowledge of family planning services and methods.

IR 6.2 Strengthened Sustainability of FP Systems. Cost recovery schemes are producing good results in Egypt, contributing to improved long-term prospects for financial sustainability. The model USAID-supported family planning NGO ("CSI") is now generating over 50% of its operating costs from user fees, and even the Ministry of Health and Population is earning growing amounts of money from the sale of USAID-donated contraceptives to its family planning clients. In terms of institutional sustainability, USAID-assisted providers have improved their performance noticeably as a result of USAID assistance with management systems, procedures, and manuals; training of technical and managerial staff at all levels; improved management information processing capabilities; decentralized planning capabilities; the development of new training units; and support for logistics management. In terms of policies that affect long-term sustainability, USAID has recently entered into a series of promising discussions and analyses with the Government of Egypt concerning subsidies for contraceptives and permanent arrangements for becoming independent of donor-supplied contraceptives.

C. Contributions of USAID Activities

USAID has been the largest foreign donor to Egypt's national family planning program since the 1970s and has reaffirmed its commitment under the POP/FP III project for the period 1994-1997. USAID's initial assistance activities (POP/FP I, 1977-1987, US\$ 67.6 million) established an institutional framework for family planning in Egypt and supported services and innovative delivery systems in selected governorates. Subsequently, POP/FP II (1987-1994, US\$ 117.6 million) expanded these activities nationwide through 24 subprojects which were implemented by a range of GOE agencies and NGOs through cooperative agreements with various USAID-funded agencies. The current project, POP/FP III (1994-1997, US\$ 62 million) was designed to help Egypt reach its short- and long-term demographic targets: to reduce the population growth rate from 2.2% (1992) to 2.0% (1997); and to reduce total fertility rate (TFR) from 3.9 (1992) to 3.5 (1997).

D. Expected Progress for FY 1997 and FY 1998

In January 1996, the Ministry of Population was eliminated and, in its place, a new "Ministry of Health and Population" (MOHP) was created. The MOHP plans to blend family planning and MCH services into a broader women's health program. The final configuration of the restructured population sector is not yet clear, nor are the implications for USAID support. As new lines of authority are established and resources reallocated in the GOE, a period of confusion is inevitable. This period may temporarily disrupt three subprojects of the USAID program (IDP, CSI, and RCT) implemented under the National Population Council. In the long run, however, the Mission believes that the changes will have positive results for program impact. Shifting greater responsibility for family planning service delivery to the new Ministry of Health and Population reduces duplication of efforts, will strengthen linkages between family planning and MCH services, and enhances the prospects of financial and institutional sustainability.

SO 6 Reduced Fertility. It is expected that the rate of fertility decline may slow somewhat as the national program works to meet the needs of a rapidly-growing population of young Egyptians with budgetary resources that will not expand as fast as the target population is expanding. Through FP/POP III, efforts will continue to improve the quality of services and to strengthen the institutions that provide services. Secondary analysis of the 1995 DHS data will be undertaken to assess needs and to strategically plan USAID/Cairo's assistance for the period beyond FP/POP III.

IR 6.1 Increased Use of FP Services. The number of family planning users in Egypt will continue to expand during 1997 and 1998. It is expected that the method mix will begin to shift away from the current high proportion of IUD use as newer methods are introduced and promoted. The contraceptive prevalence rate (CPR) will increase slowly as the number of young women needing services shoots up and taxes the capacity of family planning institutions.

In response to the "plateauing" of CPR seen in the 1995 DHS, USAID will work with its Egyptian partners to implement some strategic shifts designed to stimulate further expansion of service coverage. These shifts will include: (1) a concentration of assistance on improving services in rural upper Egypt where coverage levels are low, (2) expansion of community-level interpersonal promotion, (3) developing new television and radio marketing and informational programming, (4) providing new support to NGOs that offer family planning services, and (5) linking family planning services more closely to MCH services through referrals, joint IEC activities, etc.

USAID will continue to focus on improving the quality of services and strengthening family planning institutions. In addition, private sector physicians and pharmacists will be trained in selected governorates in Lower Egypt to improve the quality of care they offer. IEC activities will concentrate on increasing the volume of services and improving their quality. Communication strategies will use mass media and local information centers to increase demand for services among priority audiences. Activities will continue to improve client-provider IEC materials and to promote professional providers and services.

IR 6.2 Strengthened Sustainability of FP Systems. While there has been progress in systems development and refinement, considerable work needs to be done to strengthen the sustainability of the systems. USAID assistance will focus on strategic planning, cost recovery and optimal utilization of existing resources. USAID will attempt to re-start policy research and dialog, which have been held up by the political realignment of population activities in the GOE. Dialogue will continue with the Ministry of Health and Population and the National Population Council regarding research and policy development in the areas of commodity pricing, family planning service subsidy, and efforts to enhance the private sector (e.g., removing economic barriers to contraceptive manufacture and retail sales) in order to ensure long-term family planning program sustainability. Performance based disbursement of USAID funds is proving to be an effective way of promoting efficiency and cost-recovery, and will be expanded into additional program components.

Strategic Objective 7: Sustainable Improvements in the Health of Women and Children

A. Summary of Data

In general, trends in health indicators as measured by the Egypt Demographic and Health Survey (EDHS) of 1988, 1992, and 1995 are encouraging and document the impact of our programs on millions of young children born in Egypt each year. However, the plateauing of the infant and child mortality in the last few years and the relatively high levels in Upper Egypt demonstrate the already recognized need to shift our focus more toward reduction of neonatal and maternal mortality, and to concentrate efforts on Upper Egypt. Neonatal mortality (deaths in the first month of life) already account for half of infant mortality (deaths in one first year). The causes of neonatal mortality are complex and often interrelated with those of maternal mortality. We will continue to work with the Ministry of Health and Population (MOHP) and other health sector partners to analyze the constraints to delivering quality care and plan and manage for better results, especially in Upper Egypt.

The SO 7 Performance Monitoring Table is attached.

B/C. Analysis of SO Progress/Contribution of USAID

SO 7 The phenomenal success of the Egypt Child Survival Program, which began in the early 1980s, has been demonstrated by reductions in deaths of infants and young children throughout Egypt. Between 1985 and 1995, under 5 mortality fell from 130.1 to 80.8, and infant mortality decreased from 97.4 to 62.7. Progress in the past 3 years has slowed in comparison with the rapid declines in the 1980s, with a modest decrease in the under 5 mortality from 84.8 to 80.8 and a plateau in the IMR at around 62. At this point, maintaining the gains achieved in the past is noteworthy given the rapid growth in absolute members of the target population and success in shifting important costs such as to vaccines from donors to the GOE. Moreover, the highest risk area, Upper Egypt, in fact made progress over the 1982 to 1992 period in lowering neonatal mortality by 19%, infant mortality by 7.6% and under five mortality by 12%, through improvements in immunization coverage, daya training and other health services.

These nation-wide advances have been achieved largely through a focus on three cost-effective interventions (EPI, ARI, and CDD) delivered through an extensive infrastructure that provides access to nearly 100 percent of the country, reinforced by the significant reductions in high risk births realized through the family planning program. While maternal mortality has probably been declining due to the widespread use of modern contraceptives and extensive training of traditional birth attendants, the Egypt National Maternal Mortality Study of 1992 was the first study to document the national ratio which is relatively high at 174 per 100,000 live births. This study also identified avoidable factors in maternal deaths, and the results have been used to design training programs and other initiatives to improve care for pregnant women and strengthen comprehensive reproductive health care programs.

As USAID and its partners (including the MOPH, UNICEF, WHO, and other donors) work toward sustainability of improved child health and reproductive health programs, previously vertical interventions such as CDD are being incorporated into MOHP's institutional systems, and regular financial support is being included in the GOE budget to support recurrent costs. Cost recovery in public hospitals and other initiatives to reduce the burden of financing curative services and free up scarce MOHP funds for primary care are taking hold. Policy dialogue between the GOE and donors is focused on the role of the MOHP in ensuring the health of the highest risk groups and redefining its role with respect to wide spread provision of curative care.

IR 7.1 Increased Knowledge and Improved Health Behavior in Households. There is a growing awareness of the importance of reaching out to households with information on relevant health topics. Increased knowledge and improved health behavior in households is the first prerequisite for better health status. Several

mass media campaigns have been developed since December 1995 covering child survival and maternal health topics. The principal mechanism for the program is a media campaign utilizing a series of coordinated TV and radio spots which promote the continued use of ongoing child health interventions (e.g. immunization, which is documented in the EDHS 95 as increasing from 67.4% fully vaccinated to 79.0% fully vaccinated children) and raise awareness of danger signs of pregnancy, pneumonia, and other circumstances when families should seek professional health care (e.g. for regular prenatal care). The promotion of exclusive breastfeeding is a special target of the media program as well as the overall program of the MOHP. The 1995 EDHS shows that there is a modest improvement in the rate of exclusive breastfeeding on a national level, from 28.6 % of infants exclusively breastfed for the first 4-5 months in 1992 to 30.7% in 1995. USAID is providing grants to UNICEF and Wellstart to extend the Baby Friendly Hospital initiative and reach women who deliver their babies at home.

IR 7.2 Improve Quality and Increase Utilization of Maternal, Perinatal, and Child Health Services. Progress toward achievement of this result has been substantial. **Child Survival Model Clinics** (the program is implemented in 9 governorates currently) are a major innovation in introducing quality assurance processes into public sector facilities. The impact of this initiative to improve the quality of services is seen in the increase from 22% in 1992 to 28.3% in 1995 of women who receive four or more prenatal visits, i.e. women who are advised to return for regular visits during their pregnancy and find value in the care they receive when they comply. Reductions in the neonatal mortality (from 32.8 nationally in 1992 EDHS to 30.4 in the 1995 EDHS) stem from action on several fronts: increase in tetanus toxoid vaccinations of pregnant women to reduce neonatal tetanus (from 1,823 reported cases in 1992 to 790 reported cases in 1995); expansion of the national perinatal care program, including development of a network of functioning neonatal care centers; a program to upgrade first referral delivery rooms, including training of delivery room personnel in neonatal resuscitation; and training of dayas and health professionals in safe delivery techniques. Nevertheless, given the very modest declines in neonatal mortality, it is clear that the additional elements currently in the planning stage for the perinatal program are urgently required.

IR 7.3 New Tools and Approaches to Combat Selected Endemic and Emerging Diseases Developed and Disseminated. Schistosomiasis control is a major success story for Egypt. Until fairly recently, it was the major public health problem in rural areas. Since 1988, the Schistosomiasis Research Project has supported directed research to develop new tools and approaches to control this disease through directed research grants to Egyptian and U.S. scientists. This has already yielded an improved diagnostic technique, a pediatric formulation of the medicine used to treat the disease, and better monitoring and targeting methods. The tools already applied to the national control program have contributed to reducing the prevalence of schistosomiasis to the lowest levels ever recorded. The prevalence (down from

16.4% of school children infected in one governorate in 1988 to 13.8% in 1994 in the same governorate) and intensity are already low enough that rural children today can hope to avoid the debilitation, bladder cancer, serious liver damage and fatal bleeding caused by chronic schistosomiasis. The goal now is to strengthen schistosomiasis control in lagging areas and to develop a vaccine which would keep the disease from re-emerging in the future. Potential vaccine candidates have been identified earlier than expected, and WHO has selected Egypt as a test site for the worldwide vaccine development effort, due to the capability established under this project. The true impact of this effort includes not only longer, healthier lives but also more productive years and reduced health care costs.

The hepatitis C research grant will begin in April 1996. Prevalence of the disease is frighteningly high (with seropositivity ranging from 6% to 38% in different population groups throughout the country). The series of studies under this grant will determine how the disease is being transmitted in order to shed light on why it is so much more prevalent here than anywhere else in the world, and how transmission can be interrupted.

IR 7.4 Improved Environment to Plan, Manage and Finance Sustained Maternal and Child Health Systems. Consensus has been reached that the national health system is in need of significant reform. It is widely agreed that the role of the Ministry of Health and Population needs to be redefined and that their direct involvement in provision of curative services should be diminished. Cost recovery systems are being introduced into public hospitals to reduce the burden on the MOHP of financing curative care and allow them to shift some of their scarce funds to Maternal and Child Health. The cost recovery model introduces management improvements that improve quality of care and increase efficiency in the target facilities. USAID programs are promoting new ways of financing and delivering health services in the private sector and strengthening the private/public partnership in the health sector.

At the same time, MOHP capacity to assess needs and develop policy, plans and programs must be improved. Work is ongoing to create a budget tracking system, a comprehensive health monitoring system and a national accounts process, and to train the people who will carry out these responsibilities. The information produced by these systems has been widely circulated in the country and is being used to formulate policies that will improve the population's health through making better use of the considerable resources now being expended on health care in the country and to focus additional resources on underfunded areas including maternal and child health. These financing and management initiatives are essential if the MOH is to sustain the Child Survival programs.

The nation is engaged in a debate over expansion of the Health Insurance Organization's (HIO) beneficiary base (beyond the 30% of the population now

covered) and HIO's future role as either an insurer/manager only or both financier and provider. USAID is working intensively with HIO to help correct systemic problems that will allow them to contain costs while improving quality, provide data for decision making and prepare the organization to accept new beneficiary groups according to an agreed upon schedule once they are managerially ready to cope. The new MIS is already demonstrating its value as the HIO managers use the information to reduce expenditures on pharmaceuticals (once 60 % of HIO's budget) and argue for introduction of copayments with the People's Assembly.

D. Expected Progress for FY 1997 and FY 1998

SO 7 We will continue to work toward progress in the four interrelated result areas and anticipate that the intensification of quality improvements, increases in household knowledge and health seeking behavior, development and dissemination of tools and improved approaches to combat prevalent infectious diseases, and improved ability to plan, manage and finance health systems will lead to reductions in child and maternal mortality. 1997 will be the beginning of implementation of the sharper focus on integrated reproductive health care to reduce maternal mortality and on neonatal mortality reductions as well as targeting in Upper Egypt to reduce the severe inequities in health care in that region. The next EDHS will be conducted in 1999 and we expect to see the impact of the strategy to focus on neonatal mortality through a horizontal approach at that time. Monitoring systems will be an integral part of district health planning and implementation and will begin providing data on child and maternal mortality in target districts in 1998.

IR 7.1 Increased Knowledge and Improved Health Behavior in Households.

Breastfeeding promotion will receive more support through a grant to Wellstart for a comprehensive national breastfeeding program. In addition, community level activities to support breastfeeding mothers will be extended through a PVO umbrella grant mechanism which will assist Egyptian NGOs working at grass roots level. Better training of health workers, increased knowledge about the benefits of breastfeeding coupled with support to breastfeeding women at community level will result in increasing numbers of breastfed infants. The Mission expects an increase of infants exclusively breastfed for the first 4-5 months from 30.7% in 1995 to 45% in 1998.

The communications campaigns will continue to focus on prenatal care, danger signs during pregnancy and childbirth, and other information to increase household knowledge and promote appropriate health seeking behavior. The impact of these messages together with quality improvements at health facilities will be measured in increased numbers of women who attend prenatal clinics. The Mission is working toward a target of 70% of pregnant women utilizing prenatal services at least once during their pregnancy.

IR 7.2 Improve Quality and Increase Utilization of Maternal, Perinatal, and Child Health Services. This is the centerpiece of the strategy and considerable resources will be devoted to defining a basic package of essential reproductive and child health services and agreeing upon the standards and protocols for each element. Quality assurance systems will be created to monitor compliance. The basic package will be the basis for district implementation plans that will include public and private providers in partnership with community groups throughout Upper Egypt. By 1998 the Mission anticipates that 15 districts in Upper Egypt will be implementing the basic package of essential maternal, perinatal and child health services.

At the same time, USAID and the MOHP will continue to sustain and extend the already well developed child survival programs: EPI, ORT, and ARI. The excellent progress on immunization coverage will be continued as Egypt maintains the 90% coverage rate for young children. The Mission is working closely with the MOHP, UNICEF and WHO to ensure that there are no new confirmed cases of polio in 1997. Similarly, it is expected that reported neonatal tetanus cases will be severely reduced to 400 cases in 1997 and 300 in 1998.

IR 7.3 New Tools and Approaches to Combat Selected Endemic and Emerging Diseases Developed and Disseminated. Development of a schistosomiasis vaccine will be the major activity; research will continue to evaluate other key control tools and further reduce the prevalence of this endemic disease. This ongoing project develops tools for the National Schistosomiasis Control Program through directed research. During the next two years, the series of research grants now underway will be producing results which contribute in different ways to several possible tools. It is planned that at least one such tool will be completed and applied during each year for the next three to five years. However, research results are not subject to exact control. In some years, it is likely that no one tool will be completed, but rather, that intermediate steps will be taken toward multiple tools, some of which will then be completed the following year. Target tools include epidemiological data to improve the efficiency of field control operations, easier to use diagnostic tests, new mass media messages, and additional stages in vaccine development.

Field work will begin on the urgently needed studies to determine the modes of transmission of Hepatitis C. Once information is available on how this disease is spreading, public information campaigns will be designed to help curb this epidemic.

IR 7.4 Improved Environment to Plan, Manage and Finance Sustained Maternal and Child Health Systems. The time is right for intensifying action on several fronts within this area with a new Minister of Health and Population who has considerable political experience and is determined to introduce serious reforms, increasing

demand from the public for quality health care, pressure from politicians to expand social health insurance and a growing awareness of the need for policy change. A national policy agenda will be completed with the MOHP in 1996 and a broad array of partners and USAID will negotiate the first policy measures targeted for policy disbursements in 1997. During 1997, the US DHHS will begin its work in transferring to the MOHP, its sister organization in Egypt, the process of selecting health priorities based on current disease patterns, setting objectives and targets and managing its resources achieve results. If this process takes hold it will revolutionize the way health planning is done in Egypt.

The mid-term evaluation of the Cost Recovery (CR) for Health Project while identifying several recommendations to improve implementation, performance and impact, documented the significant contributions of the project's several components in paving the way toward broad sectoral reform. Further to the recommendations contained in the report, the CR facility conversion model will be **simplified and finalized during the first six month of 1996. The CR conversion model will then be implemented in five MOHP Phase (B) hospitals during the second half of 1996, and in a limited number of HIO, CCO and university hospitals.** These non-MOHP hospitals will primarily benefit from the new operating systems and associated training programs included under the model. The MOHP will extend implementation of the conversion model to additional 10 hospitals each year during CY 1997 and CY 1998. Quality Assurance program activities will be implemented in the remaining Phase (A) facilities during 1996 and extended to at least one hospital in each governorate during 1996 and an additional three to four facilities in each of them in 1998.

The management information system in the Health Insurance Organization will be fully implemented in at 50% of the branches and producing data used for containing costs and improving quality. As recommended by the mid-term evaluation, additional technical assistance will be provided to both HIO and CCO to strengthen their management and enable them to play a more active role in sector wide reform efforts.

During both 1997 and 1998, at least 10 participants from mainly Upper Egypt governorates will be enrolled in masters of public health programs in the U.S. as a step toward increasing capacity to plan and manage public health programs in Egypt.

Strategic Objective 8: Increased Access to and Sustainability of Water and Wastewater Service

A. Summary of Data

During the past year there has been a significant number of additional beneficiaries as several USAID-funded facilities came on line. The completion of the Suez and Ismailia wastewater treatment plants provided wastewater treatment and improved wastewater collection for 1,500,000 people. In Cairo, the completion of several Fixed Amount Reimbursement Agreement (FARA) sewerage contracts in the city's poorest neighborhoods benefitted 500,000 people. And lastly, the completion and commissioning of the Cairo water tanks at Darassa provided improved water supply for 5,000,000 central Cairo residents.

B. Analysis of SO Progress

Since 1980, more than 20 million people, or one in three Egyptians, have benefitted from USAID interventions in the provision of water and wastewater services throughout Egypt. System sustainability is the critical measure of the achievement of this SO. The past year saw several aggressive actions taken by the GOE to assure the sustainability of water and wastewater infrastructure. In addition to several tariff increases, the Ministry of Local Administration (with the concurrence of the President) took the bold step of granting institutional and fiscal autonomy to water and wastewater utilities in seven governorates, three of which are in the Secondary Cities Project. This is a first step which over the long-term, will permit the utilities to operate on a truly "economic" basis, covering not only their recurring O&M expenses, but replacement and capital costs as well.

C. Contribution of USAID Activities

USAID's support to the water and wastewater sector is by far, the largest external influence on the GOE. Although most senior GOE counterparts will agree to the necessity for change, the critical decisions are made at the highest levels of government where each reform has a political price. Until now, therefore, reform has come very slowly. There appears to be some realization that USAID is not prepared to back down from several reforms which it is believed are critical to long-term system sustainability. The key reform is the implementation of a rational tariff schedule adequate to cover recurring operations and maintenance costs as well as a portion of capital costs. (Although organizational autonomy is another reform which is important, it is probably not as critical to institutional sustainability as cost recovery.) By holding fast to our positions, we are providing the GOE with the justification for implementing reforms it might not otherwise be inclined to do.

In the area of sector policy reform as it relates to system cost recovery, USAID is the major catalyst, nationwide, promoting rationalization of tariffs. Although the GOE recognizes the need for cost recovery to assure long-term system sustainability, senior GOE officials are reluctant to enact a significant tariff increase. Unfortunately, tariffs are so low in Cairo that virtually any increase translates into a "significant" percentage increase. It is the leverage of USAID funding conditionality that serves as the major stimulus to implement cost recovery. USAID-supported technical assistance is (and is in the process of) providing each GOE agency with the appropriate documentation in support of a rational tariff schedule designed to achieve cost recovery by an agreed-upon date.

Institutional reform has met little resistance, and although it is a slow process, progress is being made. USAID-funded technical assistance has provided training in new financial systems, in improved management training and in furthering the transition to autonomous public utility. USAID played a major role in providing the nation's largest utility organizations with the appropriate hardware, software and training to permit the reforms to take place. USAID is, by far, the largest donor involved in any sort of institutional reform in the sector. However, where other donors support institutional reform, most notably in the Aswan Governorate with the Danish government, with the Netherlands government in Fayoum and with the German government in Cairo, regular coordination meetings are held and programs are mutually reinforcing.

In the technical area, USAID is funding up-to-date and appropriate technology to produce safe water and effective wastewater service for millions of Egyptians. Although capital infrastructure originally addressed the critical needs of Cairo, Alexandria, the three war-ravaged Canal cities and Minya, Beni Suef and Fayoum, current funding has moved toward meeting the needs of the poor in Upper Egypt and the Nile Delta and the environmentally threatened tourist-based cities on the Red Sea and Luxor. New work, particularly in Cairo and Alexandria is also concerned with water conservation as opposed to water production. No other donor is as committed to infrastructure improvement as USAID.

D. Expected Progress for FY 1997 and FY 1998

Over the past year it appears that small but significant steps have been taken to achieve system sustainability. Policy reforms leading to institutional autonomy and "economic" operation are the beginning. Several utilities are expected to experiment with operation independent of NOPWASD (the Ministry's policy and construction arm). Over the next two years, the large wastewater treatment plant at Port Said will come on line adding 750,000 beneficiaries; the Alexandria wastewater treatment system will be expanded and construction will start in several of the Secondary Cities. Through community-based organizations, we

expect to see greater involvement of local users anxious to influence the operations of their utilities.

Progress toward cost recovery outside of Cairo has been steady and significant. The pace is expected to continue. Progress in Alexandria has been slower, but the current administration in all three Alexandria government entities, i.e., the wastewater agency (AGOSD), the water agency (AWGA) and the governorate itself is exceptionally supportive. It is expected that so long as USAID is the principal donor in Alexandria and support remains critical to the city's welfare, the governorate will continue on the reform track agreed to in 1992. In Cairo, if the agreed-upon tariff is implemented in the near future, detailed engineering design will be initiated within one year. If tariffs are not raised, the Mission may decide to withdraw future support to the city and move the funds elsewhere.

Progress in institutional reform is likely to follow the indicators shown in the results framework. Timing will vary by results package, but in time, most of the reforms are likely to occur within the life of the strategic plan. Agency recipients are generally enthusiastic about these reforms.

Engineering progress will continue as it has fairly consistently since the first USAID-supported water and wastewater projects came on line in Cairo in the mid-1980s. Of particular interest will be the large number of people who will be provided sewered streets and a piped water supply during this strategic planning period. It is expected that more than eleven million people will benefit from USAID interventions during this planning period.

The March 1996 Michigan State University survey conducted in Cairo to determine the cost of water and wastewater service revealed that the average low-income Cairo family in a sewered neighborhood was paying LE 4.5 per month for piped water and wastewater service. A Cairo family which was not on-line had to pay LE 14 per month to have their sewerage vault pumped and LE 4 per month to buy container water from local water vendors. The water buyer also had to expend 28 hours of labor to haul the vended water.

Correlating health and quality of life to improved wastewater systems is at best problematic and usually impossible to defend. However, a trip through a newly sewered neighborhood provides ample visual evidence of increased commercial activity, improved housing stock and a dramatically improved environment. To see any Cairo neighborhood before and after the streets have been sewered is a persuasive argument in support of USAID's investment in this type of infrastructure.

Strategic Objective 9: Reduced Generation of Air Pollution

A. Summary of Data

As reflected in the attached performance monitoring plan, a number of air emission and technology replication indicators at the SO and Results level remain to be developed and refined. Further, certain indicators for improved environmental policy will be refined over the next two years as the information becomes available.

B. Analysis of SO Progress

With regard to progress on reductions in air emissions, two performance monitoring systems are planned to be developed over the course of the next year which will establish and refine indicators at the SO and Results level: (1) an air quality monitoring system which measures reductions from emissions directly related to USAID-funded interventions under the Cairo Air Improvement Project (CAIP) and (2) a separate and broader air quality monitoring system which tracks reductions in emissions from all replications/adoptions of technologies at the SO level. This system will expand new efforts under the existing Energy Conservation and Environment Project (ECEP) to measure air pollution reduction impacts of energy and pollution prevention technology installations. Both monitoring systems, once established, will track a number of indicators at the Results and SO level (i.e. baseline and projections).

Substantial progress is already being made at the SO level by virtue of a number of pollution prevention technologies (which includes energy efficiency) being replicated under the ECEP Project. Nonetheless, with categories of air pollutants identified, planned measurement techniques and targets at the SO level still remain to be determined. Additional technical assistance is being sought by the SO Team to design and develop baseline and target data at the broader SO level.

To date, the majority of the reduction in air pollutant emissions derives from the technologies being installed by ECEP, with a growing contribution coming from technologies being replicated by plants not receiving direct project funding. Actual baseline data presented at the SO level represents a "first generation" effort of measurements which combine air emissions from project funded sources and replications.

IR 9.1 Adoption of pollution mitigating technologies. Replication of energy conservation and pollution prevention technologies is already occurring and is fundamental to achievement of the SO. To date, twenty plants, from both the public and the private sectors, have replicated energy efficiency technologies. With the final set of large-scale demonstrations being installed this year and the

heightened emphasis on no and low-cost approaches, the pace of replication is expected to accelerate. An important element of ECEP addresses opportunities for in-plant reduction of generated pollution (both air and water) through the introduction of pollution prevention practices which reduce waste, increase recycling, and substitute less polluting raw materials and materials handling technologies.

Improved environmental policy framework. Significant progress is being made toward improvement of the environmental policy framework. Consistent with the requirements of the Sector Policy Reform program, the GOE has issued its first air emission regulations for both mobile and stationary source. USAID, in technical collaboration with the U.S. EPA, is working the Egypt Environmental Affairs Agency (EEAA) to evaluate these regulations and develop recommendations for the next stage of their refinement and implementation.

Discussions are now underway with the EEAA for the next set of environmental policy reform measures to be included in SPR III. Technical work has begun on the Lead Smelter Action Plan, an element of the larger Lead Exposure Abatement Plan (LEAP), with its completion planned for late August 1996. Some degree of technical assistance to the EEAA and the relevant smelters is planned under the CAIP. Negotiations with cooperating GOE offices (the EEAA and the Ministry of Health) have been successfully concluded for the LEAP. Preparation of the delivery order to the Environmental Health Project and the PASA with the Centers for Disease Control (CDC) are underway. Start-up of technical work is expected in May of this year with completion of the strategy by March 1997.

Technologies successfully demonstrate reduced emissions of CO, NO_x, HC and SO_x. Through the adoption of energy efficiency technologies, Egyptian industry is not only saving substantial sums on fuel costs but measurably reducing the generation and emission of air pollutants. These reductions result from improved efficiency of combustion and industrial process control, fuel switching (from fuel oil to natural gas) and better use of electric and steam power. To date, most of the measured reduction in generated pollutants has been from the portable gas analyzer program of ECEP. As the larger, more capital-intensive technologies come on line additional, significant reductions will be realized. ECEP is also increasing its ability to measure emission reductions and before and after ambient air quality conditions rather than using estimated pollutant reductions based on calculated fuel savings. This shift will provide better data on the achievement of this result.

Technologies successfully demonstrate reduced air emissions of particulates. The second major activity under this SO, CAIP, will commence in the final quarter of FY 96. Although some limited pre-contract implementation activities are planned, projections and actual reductions in air emission reductions will be developed early

in 1997 as part of the Cairo Air Quality Monitoring System, a component of the CAIP.

Environmental management strengthened. Donor activity for the institutional development of EEAA (and its technical design unit, TCOE) is increasing. DANIDA, CIDA and ODA all have projects underway or soon to commence which directly target the improvement of this GOE entity. A broad range of technical and administrative capacity building activities will enhance EEAA's ability to more effectively manage the environment. This will include the establishment of environmental management systems, donor coordination mechanisms, procedures for enforcing environmental law, and guidelines for environmental impact assessments. USAID and its donor partners are working jointly with the EEAA to ensure the proper staffing of that agency so it has the personnel to execute its statutory responsibilities and to provide appropriate technical counterparts to the growing number of donor projects. Since many of these projects contribute to the achievement of USAID's strategic objective, donor coordination and collaboration is receiving greater emphasis.

C. Contribution of USAID Activities

Air pollution adversely affects many citizens of Egypt and virtually all citizens of Cairo, whether the source of the pollution is inefficient generation or use of energy, wasteful industrial practices, or poorly tuned private vehicles. Achievement of this S.O. will yield a reduced rate at which Egypt's air quality is deteriorating. Increased adoptions/replications of pollution mitigating technologies will provide a sustainable foundation for the gradual improvement of the nation's air quality. Because air pollution affects everyone, activities which reduce the emission of pollutants likewise benefits everyone.

A clear, direct linkage between the introduction of an energy efficient, pollution prevention or pollution control technology at an industrial plant and the air quality benefits at the "people level" can be difficult to measure. Aggregated reductions in emissions may not convey these impacts, which are often insufficiently localized to have a measurable, immediate "people" impact. What makes the linkage more tenuous is the plethora of air pollution sources, the geographic dispersion of beneficiaries and the chronic health conditions of a number of beneficiaries.

In the case of conversion of small, neighborhood bakeries from fuel oil to natural gas this linkage is clearer. ECEP is supporting the conversion of the existing combustion systems of the private balady bread bakeries from diesel or kerosene to natural gas firing systems. As a demonstration of the technology, ECEP is supplying 40 private bakeries and 40 public sector bakeries with the suitable gas burners. With the conversion of ovens to natural gas, the oxides of sulfur from the liquid fuel are being completely eliminated, as are the solid carbon particulate and

ash that settle on the bread from burning fuel oil. Since most of these ovens are in very densely populated areas, toxic emissions, black smoke full of soot, ash and other particulates are being completely eliminated.

D. Expected Progress for FY 1997 and FY 1998

Three authorized projects and a program will contribute to the achievement of the SO: ECEP, CAIP, SPR III and Power Sector Support II. There are also potential new activities that have been preliminarily identified which will need new funding.

ECEP: Fully-funded at \$67.5 million through its PACD of September 30, 1998, the energy efficiency component of ECEP is presently shifting from capital-intensive technology demonstrations to introduction of no- and low-cost methodologies and increasing emphasis on promotion, replication and sustainability. Following the progression of ECEP's energy efficiency component from technology demonstration through promotion to replication, pollution prevention technologies in Egyptian industry will begin to be realized in 1996 and 1997. Energy saving and pollution averting impacts of ECEP's various initiatives, including the Demand Side Management pilot effort, will grow and be measurable.

The Environmental Pollution Prevention Project (EP3) will support more concentrated focus on industrial pollution prevention in 10th of Ramadan City and in partnership with other USAID project working with the Alexandria GOSD. EP3 is also looking to increase applicability of pollution prevention principles to the problem of industrially generated air pollution. (Supports Results 9.1, 9.1. and 9.1.3)

CAIP: Under the CAIP, some of Cairo's worst sources of air pollution - including automobile and diesel buses - will be addressed. CAIP will assist the GOE introduce and operate its first vehicle emissions testing and certification program, as called for in Law 4. This will be the first, but not only measure to begin to control the pollutant generation from mobile sources. Pilot conversion of diesel-fueled transit buses to operate on clean-burning natural gas will be another major step. Additional measures to reduce the generation of air pollution will be included as policy reform benchmarks in the third round of the SPR. The exact measures to achieved are still under discussion, but may include the accelerated phasedown of leaded gasoline, steps to reduce the subsidy to diesel fuel and reduction of high import duties on energy efficient equipment (such as CNG conversion components).

Progress in FY 97 and 98 will focus on establishing and demonstrating the technical and economic viability of pilot and demonstration activities. CAIP has initial-year (FY 96) funding of \$20 million with a mortgage of \$40 million. CAIP will be primarily implemented through an umbrella contract. Currently in the

solicitation phase, an institutional contract is expected to be awarded by the end of FY 1996. Certain pre-contract preliminary activities are soon to get underway. Additional funding will be required in both FY 1997 (\$15 million) and FY 1998 (\$10 million), primarily for commodity procurement and training related to the vehicle testing/certification program and the CNG bus conversion pilot.

During these two years, reduction in airborne lead emissions from Cairo-area smelters may have begun (either through USAID or other donor-financed interventions) and the vehicle testing/tuning/certification program should be instituted on a provisional basis. (Supports Results 9.1, 9.1.1, 9.1.2, and 9.1.3)

SPR III: Four additional environment policy measures are anticipated for inclusion under the next round of the Sector Policy Reform program, with funding of \$10 million each. (Supports Result 9.1.1)

Policy and Institutional Improvements: Progress can be anticipated simultaneously on improving the policy climate and, through other donor-supported efforts, the institutional capacity of the GOE's environmental agency. During 1996, it is expected that the Egyptian Electricity Authority (EEA) will submit to USAID its financial and pricing strategy which will demonstrate a tariff regimen based on the long run marginal cost of providing electricity to consumers. The synergy thus produced should see the accelerated pace of independent adoption of pollution-reducing technologies by Egyptian industry. (Supports Results 9.1.1 and 9.1.4)

Pollution Prevention Project: A new activity targeting additional sources of air pollution in Egypt is planned for obligation in FY 1997, with preliminary funding level identified as \$75 million. An initial \$5 million obligation is planned for FY 97. This may be through support to the new World Bank Environmental Pollution Abatement Project (for technical assistance or a contribution to the project's loan/grant facility) or as a new USAID activity. Based on very preliminary thinking, such a new USAID activity may build on the lessons learned and successes of ECEP and target a broad range of stationary pollution sources in Egypt's urban areas, or extend the pilot demand side management program to other areas. (Supports Results 9.1.2 and 9.1.3)

Special Objective A: Increased Use of Egyptian Universities in Quality, Demand-Driven Applied Research

A. Summary of Data

The achievement of this SO will be measured by the number of successful research projects undertaken to solve Egyptian development problems. See Performance Monitoring Plan Table and section D. below.

B. Analysis of SO Progress

Activities under this SpO have been in suspension for two years. Prior to the suspension, 102 seed grants were awarded. These resulted in full-grant applied research proposals prepared by Egyptian and U.S. universities and end-users. The suspension occurred while the partner/implementing agency was reviewing these proposals in preparation for full grant awards. The suspension has just been removed. Over the coming period, the grant review/award process will be re-activated, and full-grants will be awarded and implemented and more seed grants will be made.

C. Contribution of USAID Activities

USAID is the only donor assisting in this area. This SpO and the preceding phase have provided a much needed source of assistance to enable the utilization and capacity building of university researchers in the area of community oriented applied research.

The activities under this SpO build upon a successful first phase of assistance in the university applied research area which ended in 1992. This phase funded about 500 applied research grants involving 2500 Egyptian university researchers and 400 U.S. academics. Under this first phase of Egyptian/U.S. university collaboration, researchers increased their ability to plan and execute applied research. They also established linkages with end-users of the research and, in some cases, achieved valuable benefits for them. In addition, relations were established between Egyptian and US scholars. An impact assessment of that first phase concluded that the activities were beginning to produce research results responsive to end-user needs. The funded linkages were effecting benefits to the Egyptian economy and yielding a substantial rate of return on the USAID investment. In addition, the assessment observed that some new respect for, and confidence in the ability of Egyptian university scholars to solve real problems had demonstrably been created in the university community.

D. Expected Progress for FY 1997 and FY 1998

Because the activities are built on a demand-driven grant process, it is not possible to predict the exact mix of small, medium, and large grants to be awarded and executed during the coming period. The targets for the Special Objective and Intermediate Results are therefore set as percentages of awarded and implemented grants meeting set criteria (see attached table and framework). Achievement of this SpO and the Intermediate Results under it can be assessed when the grants are awarded and implemented. A full assessment of SpO and IR achievement will only be possible at the end of the three-year period of grant implementation. Thus there are no measurable results in the shorter term. However, a partial assessment

of gradual progress toward achievement of the SpO and the IR will be done annually by examining the quality of the proposals and their adherence to funding criteria. This will be done annually by USAID in collaboration with activity partners. The ultimate full assessment of the achievement of the SpO and IRs will have to await the full evaluation of an external team of experts at the end of the three year grant implementation period.

Special Objective B: Approaches to Sustainable Tourism Demonstrated

A. Summary of Data

A data table is attached to this R4. However, there is little data to report at this time. One intermediate result, and five lower level results leading to it have been identified, and progress is being made. The intermediate result is: **Approaches to Natural and Cultural Touristic Asset Management Tested**. The results leading to it are: i)Enhanced coordination among public regulatory agencies; ii)Improved NGO-government relationships in site use and management; iii)Site development and maintenance technologies introduced and implemented; iv)Improved Red Sea governorate preserve management; and v)Enhanced regional cooperation in tourism and natural and cultural resources management.

Both EPAT and ARCE have been working on this program for only a few weeks, so we have not had the time to quantify their initial results. In fact, both are still in the process of recruiting staff. Nevertheless, there have been significant indications of success in the early stages of implementation.

Improving coordination among public agencies. The USAID team has worked together on shared problems with several collaborating Egyptian agencies (e.g., the Egyptian Environmental Affairs Agency (EEAA) and its Technical Cooperation Office for the Environment (TCOE), the Supreme Council for Antiquities (SCA), the Tourism Development Authority (TDA), and the Red Sea governorate staff). Also, Parliamentarians have visited the three Red Sea governorate cultural sites to learn about and discuss USAID-financed improvements affecting their constituents.

Improving NGO-government relationships. The program has enhanced cooperation between EEAA, the Red Sea governorate, and the Hurghada Environmental Protection and Conservation Association (HEPCA). It has also created more effective links between the monastic leadership in the Red Sea governorate and the SCA by developing and coordinating technical assistance plans among cooperating authorities.

Site development and maintenance technologies. HEPCA is installing mooring buoys so that boats will not use coral reefs for anchoring. The American Research Center in Egypt (ARCE) is offering technical assistance in conservation and presentation of antiquities to the public authorities responsible for the tombs of Luxor, the Islamic antiquities of Quseir, and the monastery authorities at St. Anthony's and St. Paul's.

Enhanced regional cooperation. A workshop was held in January 1996 attended by representatives of Jordan, Israel, the Palestinians, and chaired by the head of the SCA. Agreement was reached on a regional conference to be held in 1997-98 that will focus on cultural heritage preservation and tourism. The private sector as well as the Middle East Mediterranean Travel and Tourism Association (MEMTTA) were involved in planning the January workshop, and will continue to be active members of the conference organizing committee.

Improvement of Red Sea governorate environmental operations and EEAA development of a regional office capacity will be addressed once the EPAT office in Hurghada is open.

B. Analysis of Special Objective Progress

The intermediate result is approaches to natural and cultural touristic asset management tested. The aforementioned all contribute to achieving that result. While it is too early in program implementation to analyze the trends anecdotally presented in the data summary section, initial observations are appropriate.

First, NGOs dedicated to clear and specific purposes have proven to be immediately effective development partners; both HEPCA and the monasteries are good examples. On the other hand, those with generalized interests, however worthy, have been more difficult to engage.

Second, cooperation in regional cultural heritage preservation has taken off more rapidly than expected. This results from the enthusiasm of the Secretary General of SCA for expanding regional efforts to deal with similar problems. He has embraced the program's initiatives as his own, and has been instrumental in securing extraordinary media attention for them. A concerted effort is being made to generate similar excitement at EEAA. The arrival of the EPAT chief of party several weeks ago will accelerate these discussions. The initial foray into natural resources regional cooperation was not successful, most likely because the Egyptian enthusiasm for the subject matter was never great, and due to the necessity of having to focus the efforts of several Egyptian ministries and agencies quickly.

Third, involving local government officials in program planning has proven to be effective and important in their acceptance of the initiative. For example, the program development team worked closely with the Governor of the Red Sea and EEAA/TCOE while preparing the concept paper. When the paper was completed and presented at a series of launching workshops in the Red Sea governorate, the governor, himself, delivered it in Arabic. In addition, parliamentary interest in and approval for the program has also been strong. Quseir's mayor and leading parliamentarian were asked to go with the planning team to the cultural sites under consideration for improvement, and to explain the community's view of each site. Subsequently, they attended the launching workshops and have supported the plans developed.

C. Contribution of USAID Activities

This program works principally in the Red Sea region, but is also designed to contribute to national sustainable tourism activities and GOE/private sector planning. Approaches to site management are being tested in order to demonstrate more appropriate management schemes for Egypt to make tourism sustainable. The goal is to have tourism established sustainably while continuing its growth, recognizing that it is Egypt's second most important industry, creating service and light manufacturing jobs, and increasing foreign exchange earnings. Ultimately, this means changing how Egyptians think about tourism and tourist attractions, and their preservation and conservation. We are starting this program chiefly in the Red Sea governorate, but consciously seeking ways to expand its effect nationally. Other donors (notably the European Union and the World Bank) support environmental programs limited to well defined regions in Egypt. USAID's program differs in that the objective is not limited to making improvements in the Red Sea region; it is to demonstrate improvements in the Red Sea and other regions that are applicable throughout the country.

This USAID special objective has generated increased donor interest in environmentally sustainable tourism. Other donors, e.g., Italy and Canada, have already provided parallel financing for activities. Both supported the January 1996 regional cultural heritage preservation workshop, and want to continue to assist with the 1997-98 conference. Italian cooperation, in particular, has the potential for complementing USAID-financed work.

D. Expected Progress for FY 1997 and FY 1998

This special objective has been responsible for tremendous progress towards its objective in a very short time. This program has a cadre of enthusiastic Egyptian adherents, who see it as the nexus between environmental protection, economic growth, and sustainable development. They recognize that the approaches advanced by this program have tremendous backward and forward economic

linkages (especially in local economies) and create jobs rapidly (especially in areas outside the big cities).

The premise of this R4 is that progress demonstrated in the Red Sea region will provide the context and basis for revised strategic planning at the national level. The test, however, will come in the next 12 to 18 months. By then, the program will have used its presence in the Red Sea coastal region to begin to influence touristic development, environmental regulation and enforcement, private sector, NGO, and GOE capacity and linkages, and public awareness. Also, ARCE will be well along in its program to link cultural heritage conservation with long term tourism development planning. By March 1997, EPAT will have produced, in collaboration and consultation with the GOE, the private sector, NGOs, and individuals, an overall sustainable tourism development strategy for Egypt. This strategy document (which will be participatory from the outset, as was the current program), along with demonstrated accomplishments, will form the basis for expanding USAID's presence in the sector.

Strategic Support Objective A: Improved Human Capacity Development System Linked to Strategic Priority Areas

A. Summary of Data

SSO Level. Two performance indicators have been established for the DT2 SSO training system: (1) the number of strategically linked training plans developed and (2) percentage of partner institutions providing positive feedback on the relevance and delivery of training (see attached performance monitoring plan table). These indicators will be used to track and monitor the performance of the DT2 system itself and will provide information on the effectiveness of the system in providing result-oriented training that contributes to achievement of the Mission's SOs.

Strategic Objective and Special Objective Level. As part of the process of assessing partner institutions' training needs and developing the SO training plans, the DT2 contractor working with the SO teams will establish specific indicators related to the training results being sought. These specific indicators, along with a set of more generic indicators, will be tracked and reported on by means of the Cairo Evaluation Prototype (CEP). The CEP will operate in conjunction with the Participant Training Management System (PTMS), the Agency's standard system for tracking training and trainees, and will enable the system to store and manipulate a large volume of evaluation data. The PTMS collects and stores data on trainees, training events, and costs by SO.

The DT2 M&E system will, therefore, collect training information during each phase of training (pre-departure, in-training, return, and post training) by means of questionnaires, interviews, focus groups, or other standard evaluation methods. The CEP is a program that will run on the PTMS and will make it possible to store and correlate information collected through the evaluation system with participant demographic and training data in the PTMS. It will also enable the system to generate reports that will provide feedback to the SO teams on the effectiveness and results of training activities based on generic training indicators as well as SO-specific training results indicators.

B. Analysis of SSO Progress

DT2 has no precedent in the Mission. It represents the first attempt to put into place a systematic training evaluation system focused not only on training effectiveness, but also training results or impact. The Development Training Project did not have an M&E system and most contract-funded training under other Mission projects have done little more than rudimentary evaluation of trainee satisfaction with the training program. Consequently, it is not possible at this stage to analyze progress based on indicators from last year. And since DT2 was just authorized September 30, 1995, and the training system has not been implemented, information on progress is not available.

Once the DT2 contract is awarded and implementation activities begin, it will be possible by March 1997 to report on the first system indicator (number of strategically linked training plans developed). The second DT2 system indicator, as well as SO training results indicators, cannot be reported on until training activities begin and the first waves of trainees return to their positions in the partner institutions. At that point, data will be collected through the PTMS/CEP that will provide information on the relevance and delivery of training interventions provided under DT2 (the second system indicator) and SO-specific training results indicators.

C. Contribution of USAID Activities

Since the single training management system is not yet in place, it is not possible to discuss the contribution of human capacity development to achievement of the Mission's SOs. However, the primary objective of the DT2 SSO is to ensure that all human capacity development activities will be designed with specific results to be achieved that will contribute to SOs. Once DT2 training activities begin and trainees return to their positions to apply their training, it will be possible to provide information on the contribution being made to the Mission's SOs. However, the first training results data will not be available until some time in early FY 1998.

D. Expected Progress for FY 1997 and FY 1998

The DT2 contract is expected to be awarded by August 1996 with the contractor mobilized in country before the end of FY 1996. SO training planning (partner institution assessments, training needs assessments, and SO training plans) will commence the first quarter of FY 1997. The target date for completion of all SO training plans and the Mission-wide consolidated training plan is March 1997. Once training plans are completed, human capacity development indicators attributable to results achievement at the SO level will be developed. By late FY 1997 and throughout FY 1998, the first waves of short-term participants will have returned to their positions in partner institutions. At this time, the DT2 M&E system will begin to provide data on both the DT2 SSO support mechanism as well as the specific SO training results indicators.

Strategic Support Objective B: Broad-Range Technical and Financial Support Provided

A. Summary of Data

The on-going Technical Cooperation and Feasibility Studies project (TCFS) started in September 1992 and is scheduled to end in September 2001. TCFS has helped the Mission and Egypt meet priority development needs by financing design, technical and sector studies, assessments, and PVO activities that contributed to the achievement of the Mission's development objectives and goals. During FY 95, 51 activities were approved for financing under TCFS and the Mission's local currency FT-800 Account worth \$26 million and LE 62.8 million. TCFS FY 95 expenditures were \$8 million.

B. Analysis of Progress

Since 1992, TCFS along with the associated FT-800 Account, financed the following types of activities:

- 10 Feasibility, technical and sector studies worth \$2.4 and LE 3.6 million;
- 11 Design and pre-implementation activities worth \$2.6 and LE 1 million;
- 7 Evaluations, assessments and audits worth \$0.9 and LE 11.4 million;
- 28 Workshops, conferences and seminars worth \$0.3 and LE 0.8 million;
- 26 Technical assistance activities worth \$19.9 and LE 55.4 million;
- 15 Implementation, monitoring and accountability requirements in support of USAID/Egypt worth \$1.5 and LE 8.1 million ; and
- 12 Private Voluntary Organization activities worth \$35 and LE 114.6 million.

An analysis of the approved activities under TCFS indicates that it helped the Mission in designing several current interventions--namely, Healthy Mother/Healthy Child, Cairo Air Improvement, Agriculture Policy Reform, and Secondary Cities Development. In addition, it financed studies that are contributing to the design of two new activities--namely, Female Education and Growth Through Globalization. TCFS also financed a wide range of Private Voluntary Organization activities worth close to \$35 million and LE 114.6 million that contributed to the Mission's and Egypt's development goals and objectives.

TCFS's flexibility and ability to meet emerging needs was put to the test in FY 1995 when severe flash floods occurred in economically depressed areas in Upper Egypt. Several hundred victims lost their homes, possessions and means of support. CARE, a U.S. PVO, received funding to undertake disaster relief and humanitarian assistance activities. Another example during FY 95 was the Partnership initiative that the Mission was able to support immediately by providing funding from TCFS and FT-800 Account. To date, over \$14.5 million and LE 43 million were provided for this initiative and its four sub-committees.

C. Expected Progress For FY 1997 and FY 1998

This Strategic Support Objective (SSO) will serve as a support mechanism for the Mission Strategic Plan, having the flexibility to quickly respond to priority activities in support of the Agency's goals and objectives. However, the SSO will be reduced in size and scope relative to the existing TCFS project. The SSO will provide design and implementation support not otherwise provided for under the different strategic and special objectives. Although each objective will have its own design, evaluation and support funds, the size of the USAID/Egypt program and its high political visibility and importance argue for a stand-alone support mechanism that can be responsive to priority and unanticipated activities, such as Partnership and regional initiatives, design/modification of new/existing objectives and other cross-cutting concerns such as strategic or program assessments, etc.

The proposed streamlined SSO is expected to finance the following illustrative activities:

- Selected Feasibility, technical and sector studies;
- Result/activity designs for unanticipated and priority activities;
- Pre-implementation activities on a case-by-case basis;
- Selected and cross-cutting evaluations, assessments and audits;
- Selected technical assistance activities;
- Implementation, monitoring and accountability requirements support for USAID/Egypt; and
- Conferences, seminars and observational tours on a case-by-case basis

Private Voluntary Organizations activities are not expected to be financed under this SSO. PVO proposals and initiatives are expected to be financed under the Civil Society Participation strategic objective as appropriate as well as under the other Mission Strategic and Special objectives, to the extent that they contribute to the achievement of the respective objectives.

A Mission-wide survey of design, evaluations, assessments and monitoring needs for the coming year (through summer 1997) indicates that approximately \$7.6 million is requested for these types of activities.

The Mission plans to obligate during FY 96 an additional \$5 million into the current TCFS to bring it up to its current authorization level. This obligation will allow the Mission to meet its immediate needs as indicated by the Mission wide survey. The Mission will design a new results package, estimated at a life of project funding of \$25 million, for an FY 97 initial obligation of \$5 million.

III. Status of Management Contract

A. Strategic Objective Changes or Refinements

None. This R4 follows the strategic framework developed for the Mission's new Country Strategy.

B. Special Concerns or Issues

Given the breadth and size of SO 1, it is likely that obligations will occur below the Strategic Objective level.

C. 22 CFR Issues and Schedule

The Mission does not anticipate any issues related to the implementation of requirements under 22 CFR 216 such as Initial Environmental Examinations (IEEs) and Environmental Assessments (EAs). Following guidance received from the Bureau Environmental Officer, the environmental review process necessary to make a threshold determination of environmental impact will be conducted during results package design. The following is a list of activities during FY 96 that will require IEEs and/or EAs.

New Activities

<u>Strategic Objective</u>	<u>Title</u>	<u>Environmental Review Status</u>
1	Sector Policy Reform III	IEE
1	Growth Through Globalization	IEE
2	Female Education	IEE
4	Civil Society Participation	IEE
7	Health Policy	IEE
8	Alexandria Wastewater II	EA

Activity/PP Amendments

1	Public Finance Administration	IEE
1	Small Enterprise Credit	IEE
1	Agricultural Technology Utilization and Transfer	IEE
1	Agricultural Policy Reform	IEE
4	PVO Program	IEE
6	Population Family Planning III	IEE
7	Cost Recovery for Health	IEE
7	Schistosomiasis Research	IEE
8	Technical Cooperation and Feasibility Studies	IEE

Environmental Assessments in Process

8	Alexandria Wastewater II
8	Secondary Cities

IV. Resource Requirements

A. Program Funding Request by Strategic Objective

The discussion of the USAID/Egypt funding request is based on the Congressional earmark of \$815 million per year. During the R-4 period, the Mission will focus additional funding to assist the GOE in reforms of institutions, regulations and policy in many areas. Currently the Mission supports reforms in the large Sector Policy Reform Program, and in the Agricultural Policy, Infrastructure (Power, Telecommunications and W/WW) and environment sectors. The new areas to be

addressed are in the health sector and civil society participation. The Mission will use the current high level of resources to influence the GOE to make the hard policy reform choices. In all cases, the Mission is also providing an adequate level of technical assistance to ensure the GOE gets sufficient information and assistance in making reforms in all sectors.

Currently the Mission does not depend on Global Bureau financing for any activities, although the Mission does access Global Bureau buy-ins and contracts for specific technical implementation requirements. In all of the scenarios the Mission has attempted to maximize the program focus to the special earmarks (e.g. child survival, population, small and micro enterprises, energy and environment, and education. In addition to these areas being important to USAID, they are extremely important in the Mission program.

FY 96

For the FY 96 period funds include the carryover from FY 95 of \$155.7 million plus the \$815 million of new appropriations. Approximately \$100 million of the carryover is from the infrastructure policy reform activities of Power, W/WW and Telecommunications. The remaining amounts carried over include \$8 million from small and micro enterprise activities and small amounts for miscellaneous activities. The Mission is in a position to obligate the entire \$970 million in FY 96 and will require that amount to meet expected results targets by this time next year. This fiscal year will see the start up of several new policy based activities and supporting technical assistance components.

The Economic Growth SO accounts for \$724 million of the FY 96 obligations. Of this amount, \$400 million is reform based obligations, \$180 million for SPR, \$50 million Ag. Policy Reform, and \$170 million for Power and Telecommunications reforms. The remaining amount funds the legislated \$200 million per year CIP and \$124 million in support to agricultural, private sector and other technical assistance activities to support the reform programs.

The new SO 2 (Female Education) will require initial funding in FY 96 at \$15 million. The Special Objective A (University Linkages) will be provided \$3 million for FY 96 to fund the next to last year of this activity. Following the obligation in FY 97, this activity will be discontinued in this form. The three democracy SOs (SO 3 - 5) will receive a total of \$23 million. This will incrementally fund the AOJ activity at \$3 million and fund SO 4 at \$20 million. The \$20 million will provide an additional \$4 million for the PVO activity and \$16 million for the new Civil Society Participation activity.

Family Planning and Population activities (SO 6) will account for \$17 million. This new larger requirement is caused by the elimination of central funding for many of the sub-activities planned for the remaining years of the program. The SO 7 health activities will require \$29 million for FY 96, primarily to fund the new Healthy Mother/Healthy Child activity and provide the remaining funding for two activities which are phasing out (Schisto and Cost Recovery). Dollars 5 million will be provided to obtain the necessary technical assistance for a new health policy reform activity.

W/WW activities will continue to demand high financing as the Cairo Sewerage activity comes to an end and funding for the Secondary Cities activity gets underway. Additionally, a new sewerage activity is being designed for start up this year. Design costs require a large initial obligation for this activity. A total of \$78.3 million will be provided to W/WW. The Air Pollution SO will receive \$20 million for policy reform financing (this is linked to the SPR program negotiations but shown with results in this SO). Funding for the Cairo Air activity will be incremental at \$15 million.

The remaining \$46 million is divided between the large Mission wide training activity (\$25 million), the Technical Cooperation and Feasibility Studies II activity (\$20 million) and \$1 million for a 632 A agreement with the State Department to implement activities in Science and Technology.

FY 97

For the FY 97 period two scenarios have been provided in Table 3. The first scenario at the \$815 million level and the second at \$733 million (\$815 minus 10%).

\$815 million Scenario - Excepting a few minor shifts, the amount allocated to SO 1 would be the same level were it not for the large infrastructure obligations in FY 96 which came about because of the carry over. The difference of \$127.4 million is accounted for from \$121.9 less in obligations for infrastructure, and \$21.5 million in reductions in other SO 1 activities. The Ag. Policy Reform activity is larger by \$15 million in FY 97 and one activity in the private sector receives another \$1 million.

Minor fluctuations in several SOs occur but are based on projected need in the activities. An exception to this is the increase in the health SO, which receives a total in FY 97 of \$37.5 million. This is primarily the funding required to implement the policy reform activities to be designed this year. Two other exceptions occur during this period. First the Special Objective in Ecotourism is financed at \$10 million and the incremental funding for W/WW is decreased following the end of one activity and before the beginning of an activity in FY 98. The PD&S type

activity will only be funded at the \$5 million level now that all SOs are responsible for financing their design activities.

\$733.5 million Scenario - There is little change in this scenario, which will reduce the OYB by \$81.5 million. Under this scenario, the Mission would postpone major changes in the ongoing program while performance and effectiveness are reviewed. Program integrity is maintain during this period. If the cut is an indication of further reductions, the Mission will have to assess the effectiveness of the allocation of resources.

The funding cuts from the program are primarily in SO 1. For planning purposes the Mission has chosen to demonstrate a cut of \$70 million in SO 1 (\$50 million of a planned obligation to the Power Sector Support Project and \$20 million from the SPR Program). The remaining amount is accounted for in the W/WW obligation (\$1.5 million) and deferring the \$10 million obligation for Ecotourism until FY 98. These are notional cuts at this time and in reality the performance of individual SO over the next year would affect any final decision.

Deferring the impact of this cut on changes to major program emphases for an additional year will allow some activities to be curtailed earlier, in an orderly fashion, and reduce the expected results for those activities in mid stream.

FY 98

The FY 98 base scenario is not much different than the FY 96 and FY 97 base scenarios. Some minor variations in obligation levels for the SOs do occur and in some cases planned activities will have been fully funded in FY 97.

\$815 million Scenario - Under this scenario SO 1 retains its integrity and will be funded at \$555.5 million. This allows the continuation of the SPR, CIP, infrastructure activities, and reform and TA assistance to the agricultural and private sectors. Of the major changes in this year, the democracy SO 3 will be fully funded in FY 97 and SO 5 will be fully funded in this year. The Civil Society Participation activity will continue at the \$25 million level.

Population activities are budgeted for \$15 million and Health for \$30 million. The funding for W/WW activities will increase substantially as a new activity is planned to start in this year and a higher funding level will be required for the Alexandria Sewerage activity. The SOs for Air Pollution, and the Special Support Objectives will maintain an equivalent level as the previous years. The Special Objective on Ecotourism will be funded during this year regardless of the scenario.

\$652 million Scenario (\$815 million minus 20%)- This reduction scenario allows the entire program to retain its integrity in FY 98 and meet the important goals of the program. This level of \$652 million will be obtained by cuts distributed across several SOs. The Economic Growth SO 1 will take the major cut of about \$150 million, primarily by cutting the SPR by \$55 million and the CIP by \$60 million along with \$20 million from infrastructure activities and about \$15 million from other supplementary activities. The democracy SO will only be reduced by \$10 million of the planned obligations in the civil participation activities (this cut will obviously be dependent on achievements in the early years). A small cut will be made in the health sector (\$5 million). The cut in SPR will be dependant on progress in policy reform. If the GOE is meeting the benchmarks in policy reform, other sources of the cuts will be required. Cutting of the CIP program to less than \$200 million per year will need to be conveyed to Congress, as the CIP level is a sub earmark of the overall Egypt ESF earmark.

Allocation of Resources During the R-4 Period

With the renewed emphasize of the GOE in policy, institutional and regulatory reform, the Mission has emphasized these activities in most areas (i.e. Sector Policy Reform, Agricultural Policy Reform, Health Policy Reform, Environment and reforms in Civil Society Participation activities). The Mission has since the early 1990's required reforms in the utility prior to funding for infrastructure activities in W/WW, Power and Telecommunications. When the time come to make the difficult decision on where the cuts will be taken, performance of the policy reform activities will be the first to be considered. Unfortunately, when the reforms have been made in infrastructure and we agree to finance new physical structures, we incur a large mortgage for these activities. Thus, agreement to proceed with infrastructure, once the reforms have been made by the GOE, require attributing a large portion of future Mission funding for these activities. The other policy reform activities do not leverage financing but rather provide the funds directly to the GOE upon meeting the reform.

Although cutting the allocation of funds to the Private Sector CIP (the legislated earmark) would be easy to implement, the need for trust funds in the Special Account to support our OE requirements is derived from this source. The Mission thus proposes a middle of the road approach to allocation of the 20% cut in the earmark between the CIP program and policy reform programs, with only minor cuts in the core program. The initial cut in the earmark will signal a total program reduction and will provide the time necessary for the Mission to review the entire portfolio against performance targets.

Some of the newer activities in the Mission portfolio (civil society participation, female education, air pollution, legislative and judicial activities, along with the special objectives do not have the base line data to assign good target figures for

the near future and will be hard to judge prior to the end of 1997. Other SOs, like health, population and W/WW have a long history of consistent performance over the years and are unlikely to underachieve during this R-4 period.

B. Program Management Requirements: Operating Expenses and Staffing

FY 96 Operating Expenses - Table 6

The Mission has recast its FY 96 budget in conformance with the ANE approved annual plan established on 3/6/96 at \$14,144,600. The FY 96 OE budget level represents a reduction from the FY 95 level of approximately \$1 million overall. Additionally the Mission is maximizing the financing of its operations from non-appropriated local currency trust funds, resulting in a savings of appropriated dollars from last fiscal year of \$2.7 million as the FY 96 budget is composed of only \$500,000 in appropriated dollars and the equivalent of \$13,644,600 in trust funds, as outlined in the table below.

TOTAL OE COSTS (000's)			
<u>FY</u>	<u>\$</u>	<u>TF</u>	<u>TOTAL</u>
1995	\$3,245.6	\$11,916.9	\$15,162.5
1996	\$ 500.0	\$13,644.6	\$14,144.6

In appropriated Operating Expense dollar terms, USAID/Egypt is the fourth least expensive ANE Mission among the current seventeen posts, with only Pakistan, Lebanon and Oman requiring fewer OE dollars in FY 96. The overall OE budget reduction of \$1.0 million has been achieved through a variety of cost saving measures, including:

- A reduction in USDH positions from 93 to 88.
- A reduction of 6 FSN positions.
- A program to reduce office and residential utility costs saved \$46,000.
- Completion of NMS hardware and software installation that will permit a significant reduction in procurement costs.

- Postponement of USDH Home Leave and Post Assignment saved about \$300,000 (net of increased R&R costs).
- USPSC cost reductions saved \$170,000.

OE Cost Containment Challenges

In preparing the OE budget reflected in this year's R-4, Table 6, estimates were also developed for FYs 1997 and 1998. Our projections provide for a "straight-line" budget level in FY 97 at the \$14.1 million level, with a slight increase of 3.5% in FY 98 to \$14.6 million. Adhering to this plan will be a challenge, given that our budget is heavily weighted to local costs, that the inflation rate is generally estimated to be at least 10%, and exchange rate gains have seriously lagged behind the inflation rate. Our planning anticipates that full implementation of the ~~New Management Systems supporting our reengineered business practices will allow us to continue to achieve FSN staff efficiencies through attrition. Further reductions in USDH staffing, however, should be more closely linked to changes in the program and strategy (see discussion in paragraph three below).~~

The FY 96/FY 97 budgets are quite sensitive to FSN salary and benefits costs, with these expenses comprising about 35% of total costs. Clearly, we must remain competitive in the local market to retain the skilled and motivated FSN staff that are the backbone of the Mission. However, judgment guided by budget realities will need to be applied in the implementation of any prevailing practice determinations with respect to FSN salary and benefit increases. Each percentage point salary increase would currently increase the OE budget by about \$50,000.

Perhaps the most difficult cost containment challenge ahead will be the implementation of ICASS (International Cooperative Administrative Support Services). This new system of providing administrative services at post, replacing the traditional FAAS system, is in the formative stages with pilot tests ongoing at several posts this fiscal year. The ICASS plan calls for administrative services to be financed from Missions' field budgets by allocating previously centrally budgeted FAAS amounts to Missions. While available information is very preliminary, indications are that costs to USAID could double or triple. With USAID/Cairo FAAS costs in the range of \$900,000, the ICASS framework could mean a budget increase of unmanageable proportions. Further, there have been indications that ICASS full implementation will be placed into effect in Cairo on 10/1/96, which would not allow administrative service cost increases or decreases for any participating agencies to be captured in the appropriations process. We are following ICASS events closely but the early information on its bottom-line impact on USAID is alarming at best.

Another area of increased cost pressure on the OE budget is the potential for expansion of the Mission's role as a regional support center to other country programs. The Mission has a history of providing support services, including financial management for USAID activities in Rome and Tunis and, starting this year, providing training in NMS software and project management oversight of the Salalah Wastewater Treatment Project in Oman. Should the Mission's regional role expand, operating costs, such as training room rental for NMS training and TDY site visit travel for the Salalah project, will undoubtedly increase further, beyond our ability to absorb the financial impact. Funding of the additive costs of providing regional support will need to be met from appropriated OE dollars in lieu of trust funds generated through the Mission's bilateral program.

OE Trends - The Outyears

In looking at the Operating Expense and staffing implications of program reduction scenarios in the outyears, it appears that the economies of scale which have permitted the management of over \$21 million per USDH (9/30/95 pipeline of \$1.9 billion and 88 USDH positions) in the current portfolio framework will delay the attainment of management resource savings as program reductions are phased in. For example, managing a twenty percent reduction in total program level new obligation authority in FY 1998 by absorbing the majority of the reduction in the program assistance activities of CIP and cash transfer will yield no staff savings. The analytical and management oversight load will be largely unaffected by this level and type of program change.

Staff Requirements (Table 5)

The staffing issues evolving from the three program scenarios are very similar, in that any program with an OYB of \$815 million requires a large staff. Over the last year the Mission reduced the USDH FTE level from 93 to the current level of 88. Accountability has and continues to be a vulnerability due to staff shortages. Only four years ago (1991) the Mission was dealing with audits which pointed to insufficient staff to maintain adequate monitoring of the activities. Subsequently the Mission focussed the program on fewer areas and fewer activities. The new reengineering systems are expected to allow for fewer employees to do the same amount of work. These new systems are not yet on line and the Mission continues to manage the largest program in the world with a smaller number of staff per dollar.

The high scenario provided does not allow for staff reduction while the OYB continues at \$815 million, without implemented and proven systems. Until these proven systems are provided, the Mission would not be able to reduce the USDH staff. With the recent hiring freeze, the FSN and PSC levels are equally as serious. The Mission is currently attempting to get several management type contracts in

place for monitoring activities in the policy reform and private sector areas. These may be possible in FY 98.

Discussion of the lower scenarios are even more difficult. The level of staff cannot directly be associated with the reduction in the OYB. Especially since most activities currently have a pipeline of a year or two and phasing down a program actually requires more staff rather than less. The Mission has reviewed several scenarios for reduction in the Mission's program and in no case can we project reductions in staff before the second year of a lower OYB. Even under the assumption of transferring some of the oversight functions currently managed by USDHs to FSNs or management contracts, the recruiting, training and transferring of individual to hold those position in a responsible manner will take a year.

The best case scenario on the staffing issue is to maintain the current staffing levels while the program is at \$815 million. Meanwhile the Mission will continue implementing the new systems and adjust staff levels concurrent with the attainment of management efficiencies, recruit and train contractor and FSNs to replace USDHs, and transfer, where possible, the expanded responsibilities to existing staff.

In the worse case scenario above, where there are no new obligations, the staff would still be required to close down the programs and disburse the pipeline.

Staff resources are concentrated in two of the Mission's strategic objectives: SO - 1, "Accelerated Private Sector-Led, Export Oriented Economic Growth"; and, SO - 8, "Increased Access to and Sustainability of Water and Wastewater Service". These two SOs have combined average annual obligations of \$650 million or approximately 80 percent of the earmarked \$815 million level. Their current pipeline is \$1.6 billion or 86 percent of the Mission pipeline. In view of the magnitude of these SOs, we feel the total staffing requirement of 156 is justified.

**Table 2
ALL RESOURCES TABLE
USAID/Egypt
(\$000)**

Funding Category	FY 1996	FY 1997		FY 1998	
		Base	Base - 10%	Base	Base -20%
Sustainable Development					
Economic Growth					
Of which: Field Support					
Child Survival/Disease					
Of which: Field Support					
Basic Education					
Of which: Field Support					
Population					
Of which: Field Support					
Environment					
Of which: Field Support					
USAEP					
Democracy					
Of which: Field Support					
Economic Support Funds	970,659	815,000	733,500	815,000	652,000
Of which: Field Support	28,640	26,345	26,345	21,450	21,450
Of which Child Survival					
Of which: Field Support					
Of which Basic Education					
Of which: Field Support					
PL480:					
Title II					
Title III					
Other (HG, MSED)					
GRAND TOTAL	970,659	815,000	733,500	815,000	652,000

Table 3
Funding Scenarios by Objective
(\$000)

O B J E C T I V E	FY 1996	FY 1997		FY 1998	
		Base	Base - 10%	Base	Base - 20%
Strategic Objective 1: Accelerated Private Sector-Led, Export-Oriented Economic Growth Total SO 1:	724,400	598,000	528,000	555,500	407,500
Strategic Objective 2: Increased Female Participation in Quality Basic Education in targeted Areas Total SO 2:	15,000	10,000	10,000	10,000	10,000
Strategic Objective 3: Increased Use of Information services by the Legislature in Decision Making Total SO 3:		3,283	3,283		
Strategic Objective 4: Increased CSO Participation in Public Decision Making Total SO 4:	20,000	25,000	25,000	25,000	15,000
Strategic Objective 5: Improved Civil Legal System Total SO 5:	3,000	5,000	5,000	4,000	4,000

Table 3
Funding Scenarios by Objective
(\$000)

O B J E C T I V E	FY 1996	FY 1997		FY 1998	
		Base	Base - 10%	Base	Base - 20%
Strategic Objective 6:					
Reduced Fertility					
Total SO 6:	17,000	10,000	10,000	15,000	15,000
Strategic Objective 7:					
Sustainable Improvements in the Health of Women and Children					
Total SO 7:	29,000	37,500	37,500	30,000	25,000
Strategic Objective 8:					
Increased Access to and Sustainability of Water and Wastewater Service					
Total SO 8:	78,259	53,217	51,717	99,500	99,500
Strategic Objective 9:					
Reduced Generation of Air Pollution					
Total SO 9:	35,000	40,000	40,000	40,000	40,000
Special Objective A:					
Increased Use of Egyptian Universities in Quality, Demand-Driven Applied Research					
Total SPO A:	3,000	2,000	2,000		

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Table 3
Funding Scenarios by Objective
(\$000)

O B J E C T I V E	FY 1996	FY 1997		FY 1998	
		Base	Base - 10%	Base	Base - 20%
Special Objective B: Approaches to Sustainable Tourism Demonstrated					
Total SPO B:	0	10,000	0	10,000	10,000
Strategic Support Objective A: Improved Human Capacity Development System Linked to Strategic Priority Areas					
Total SSO A:	25,000	15,000	15,000	20,000	20,000
Strategic Support Objective B: Provide Broad-Ranging Technical and Financial Support for Mission S.O.s					
Total SSO B:	21,000	6,000	6,000	6,000	6,000
Grand Total	970,659	815,000	733,500	815,000	652,000

Mission: Egypt
Country Code: 263

TABLE 4
GLOBAL FIELD SUPPORT
FY 1996 - 1998

PDS/P/MIS

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10-Apr-96

Mission Strategic Obj.	Activity Description	Field Support Activity Title/ Contract Number	Mission Priority	Duration of Activity	ESTIMATED FUNDING					
					Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
					Obligated By		Obligated By		Obligated By	
					Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
S.O. No. 1 Increased Private Sector-Led, Export-Oriented Economic Growth										
	TA for Financial Reform	PEDS (PDC-2028-00-7186)	High	3 Years	0	0	750,000	0	0	0
	Insurance Study	FSOP	Medium	5 months	0	0	350,000	0	0	0
	Study on Monopolies	IPR (PDC-0095-A-00-1126-00)	Medium	4 months	0	0	250,000	0	0	0
	Evaluation of Sector Policy Reform	PCE-0026-Q-00-3031-00	High	4 months	212,605	0	0	0	0	0
	Actuarial Science Program	FSVC(DHR-0017-6-00-0079-00)	Low	1 Year	0	0	250,000	0	0	0
	Customs Reform	CAER (PDC-0095-2-00-9053-00)	High	2 Years	0	0	750,000	0	250,000	0
	Cooperative Agreement with ICEG and Cairo University	ICS (PDC-0095-A-00-0061)	High	1 Year	0	0	1,000,000	0	0	0
	Energy Sector Assessment	To be determined	High	1 Year	700,000	0	0	0	0	0
	Small & Micro Enterprise Short Term TA	DHR-5448-Q-00-9081	Medium		25,000	0	0	0	25,000	0
	Small Enterprise Credit Project Evaluation	DHR-5448-Q-00-9081	High	2 months	0	0	0	0	25,000	0
	Small Enterprise Credit Short Term TA	DHR-5448-Q-00-9081	Medium	3 Years	25,000	0	50,000	0	50,000	0
	Capital Markets Needs Assessment	PCE-0025-Q-00-3071	Medium	1 Year	814,000	0	0	0	0	0
	Capital Markets Awareness Campaign	PCE-0025-Q-00-3071	Medium	3 Years	250,000	0	750,000	0	0	0
	Capital Markets Disclosure Procedures	PCE-0025-Q-00-3071	Medium	3 Years	50,000	0	200,000	0	100,000	0
	Capital Markets Investor Protection Fund	PCE-0025-Q-00-3071	Medium	1 Year	0	0	100,000	0	0	0
	Capital Markets Financial Intermediation	PCE-0025-Q-00-3071	Medium	3 Years	50,000	0	200,000	0	200,000	0
	Political Support For Privatization	DISP (HNE-0377-Q-00-2087)	Medium	2 Years	0	0	100,000	0	100,000	0
	Pension Fund Development	PCE-0025-Q-00-3071	Low	2 Years	0	0	200,000	0	100,000	0
	Privatization of Insurance Companies	PCE-0025-Q-00-3071	Medium	2 Years	0	0	200,000	0	200,000	0
	Insurance Sector Reform	PCE-0025-Q-00-3071	Medium	2 Years	0	0	100,000	0	150,000	0
	Financial Instrument Development	PCE-0025-Q-00-3071	Medium	3 Years	200,000	0	400,000	0	400,000	0
	Privatization Decision Making Support	PCE-0026-Q-00-3031	Medium	2 Years	0	0	100,000	0	100,000	0
	Investment Banking Support for Privatization	PCE-0001-1-00-3023	Medium	2 Years	0	0	300,000	0	100,000	0
	Export Promotion Strategy Development	PCE-0026-Q-00-3031	High	1 Year	560,000	0	0	0	0	0
	Growth Thru. Globalization Monitoring and Evaluation	PCE-0026-Q-00-3031	High	1 Year	250,000	0	0	0	0	0
	Growth Thru. Globalization Diagnostics and Roadmaps	PCE-0026-Q-00-3031	High	2 Years	250,000	0	250,000	0	0	0
	Growth Thru Globalization Awareness Campaign	PCE-0026-Q-00-3031	High	1 year	350,000	0	0	0	0	0

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Mission: Egypt
Country Code: 263

TABLE 4
GLOBAL FIELD SUPPORT
FY 1996 - 1998

PDS/P/MIS

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10-Apr-96

Mission Strategic Obj.	Activity Description	Field Support Activity Title/ Contract Number	Mission Priority	Duration of Activity	ESTIMATED FUNDING					
					Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
					Obligated By		Obligated By		Obligated By	
					Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
	Export Growth Center Design	PCE-0026-Q-00-3031	High	2 months	50,000	0	0	0	0	0
	Management and Technology Institutional Design	PCE-0026-Q-00-3031	High	3 months	100,000	0	0	0	0	0
	Econ. Planning Advisors - Egyptian Center For Economic Studies Proj.	PCE-0026-Q-00-3031	Medium	3 Years	150,000	0	300,000	0	250,000	0
	Mid-Term Eval., Egyptian Center For Economic Studies	To be determined	Medium	2 months	0	0	75,000	0	0	0
	Detailed Assessment of Agribusiness Policies	LAG-4201-Q-00-3061	Medium		150,000	0	0	0	0	0
	Water Resource Allocation Conflict Resolution	FORWARD (298-0383)	High		50,000	0	100,000	0	0	0
	Water Resources Strategic Research	DHR-5555-Q-00-1089	High	1 Year	1,000,000	0	0	0	0	0
	S.O. No. 1 TOTAL				5,236,605	0	6,775,000	0	2,050,000	0
	S.O. No. 2 Increased Female Participation in Quality Basic Education in Targeted Areas									
	Design of Female Education	ABEL II	High	3 months	335,000	0	0	0	0	0
	Girls and Women's Initiative (Policy)	To be determined	High	2 Years	0	0	1,000,000	0	1,000,000	0
	Community and Early Childhood Development	To be determined	High	3 Years	0	0	0	0	500,000	0
	Global Communication and Learning Systems	To be determined	High	3 Years	0	0	0	0	500,000	0
	Secretariat for Partnership Subcommittee IV - Education	DHR-0071-R-AG-9007-00	High	1 Year	350,000	0	350,000	0	0	0
	Secretariat for Partnership Subcommittee IV - Education	HNE-5832-C-00-4075-00	High	1 Year	150,000	0	150,000	0	0	0
	S.O. No. 2 TOTAL				835,000	0	1,500,000	0	2,000,000	0
	Sp.O. A Increased Use of Egyptian Universities in Quality, Demand-Driven Applied Research									
	Sp. O. A TOTAL				0	0	0	0	0	0

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Mission: Egypt
Country Code: 263

TABLE 4
GLOBAL FIELD SUPPORT
FY 1996 - 1998

PDS/P/MIS

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10-Apr-96

Mission Strategic Obj.	Activity Description	Field Support Activity Title/ Contract Number	Mission Priority	Duration of Activity	ESTIMATED FUNDING					
					Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
					Obligated By		Obligated By		Obligated By	
					Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
S.S. O. A Improved Human Capacity Development System Linked to Strategic Priority Areas										
	Develop. Trng. II Participant Data Base/Evaluation System	FAO-0071-I-00-3070	High	3 Years	300,000	0	300,000	0	200,000	0
	S.S.O. TOTAL				300,000	0	300,000	0	200,000	0
S.O. No. 3 Increased Use of Information Services by the Legislature in Decision Making										
	Mid Term Evaluation	To be determined	Medium	2 months	0	0	50,000	0	0	0
	S.O. No. 3 TOTAL				0	0	50,000	0	0	0
S.O. No. 4 Increased CSO Participation in Public Decision Making										
	Technical Assistance to Shrouk	Civil Society (IPC)	High	2 years	2,000,000	0	0	0	0	0
	Performance Indicators For SO 4	To be determined	High	3 months	50,000	0	0	0	0	0
	S.O. No. 4 TOTAL				2,050,000	0	0	0	0	0
S.O. No. 5 Improved Civil Legal System										
	Human Rights Experts-Prosecutor's Office	Rule of Law	High		0	0	50,000	0	50,000	0
	Prosecutor's Office - Training in U.S.	Rule of Law	High	2 months	0	0	50,000	0	50,000	0
	Evaluation and Monitoring (Evaluative Framework)	Rule of Law	High	3 months	0	0	100,000	0	0	0
	S.O. No. 5 TOTAL				0	0	200,000	0	100,000	0

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TABLE 4
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FY 1996 - 1998

Mission: Egypt
Country Code: 263

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Mission Strategic Obj.	Activity Description	Field Support Activity Title/ Contract Number	Mission Priority	Duration of Activity	ESTIMATED FUNDING					
					Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
					Obligated By		Obligated By		Obligated By	
					Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
S.O. No. 6 Reduced Fertility										
	Voluntary surgical contraceptives high risk approach	AVSC (936-3068-00)	High	3 Years	2,366,990	0	1,000,000	0	1,500,000	0
	Evaluation of Population Family Planning III and Other Activity	POPTECH (936-3024-00)	High	3 Years	517,788	0	350,000	0	400,000	0
	PP Amend.- Pop/Family Planning III Project	POPTECH (936-3024-00)	High	3 months	300,000	0	0	0	0	0
	Amendment For TA & Central Marketing Support	SOMARC (936-3051-00)	High	3 Years	2,000,000	0	1,000,000	0	1,500,000	0
	New Policy Project	(936-3078)	High	3 Years	700,000	0	300,000	0	500,000	0
	FP Log. Management	(936-3038)	High	3 Years	300,000	0	170,000	0	200,000	0
	OPS Research in ASIA/NE	(936-3030)	High	3 Years	900,000	0	500,000	0	750,000	0
	Demographic and Health Survey-Secondary Analysis	DHS III (936-3023-00)	High	2 Years	0	0	300,000	0	750,000	0
	Contraceptive Requirements	CCP (936-3057)	High	3 Years	2,384,000	0	2,100,000	0	2,500,000	0
	Design and Monitoring Activities	To Be Determined	High	3 Years	500,000	0	200,000	0	300,000	0
	S.O. No. 6 TOTAL				9,968,778	0	5,920,000	0	8,400,000	0
S.O. No. 7 Sustainable Improvements in the Health of Women and Children										
	Basic Support For Health Institutions	HRN-6006-Q-00-3032	Medium	2 Years	0	0	500,000	0	0	0
	Maternal and Neonatal Health & Nutrition Program	HRN-5966-Q-00-3039	High	3 Years	2,000,000	0	0	0	0	0
	Data For Decision Making	DPE-5991-A-00-1052	High	2 Years	600,000	0	0	0	0	0
	Information Technology Monitoring Support	AOT-0999-C-00-4201-00	High	1 Year	150,000	0	0	0	0	0
	Health and Technical Services	HRN-5974-Q-00-3002	Medium	1 Year	200,000	0	0	0	0	0
	Opportunities For Micro-Nutrition Interventions	HRN-5122-Q-00-3026	Low	1 Year	0	0	250,000	0	0	0
	Partnerships for Health Reform	HRN-5974-C-00-5024-00	High	3 Years	400,000	0	2,500,000	0	1,500,000	0
	Environmental Health Project	HRN-5994-C-00-3026-00	Medium	2 Years	0	0	200,000	0	0	0
	S.O. No. 7 TOTAL				3,350,000	0	3,450,000	0	1,500,000	0

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Mission: Egypt
Country Code: 263

TABLE 4
GLOBAL FIELD SUPPORT
FY 1996 - 1998

FDS/P/MIS

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10-Apr-96

Mission Strategic Obj.	Activity Description	Field Support Activity Title/ Contract Number	Mission Priority	Duration of Activity	ESTIMATED FUNDING					
					Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
					Obligated By		Obligated By		Obligated By	
					Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
S.O. No. 8 Increased Access to and Sustainability of Water and Wastewater Service										
	Interim evaluation of Canal Cities Water & Sewerage	To be determined	Medium	2 months	0	0	100,000	0	0	0
	Final Evaluation of Canal Cities Construction	To be determined	Medium	2 months					50,000	0
	Interim evaluation of Cairo Water Supply II	EHP (936-5994-00)	High	2 months	150,000	0	0	0	0	0
	Phase IV Water/Wastewater Economic Impact	To be determined	Low	3 months	200,000	0	0	0	0	0
	Evaluation of Alexandria Wastewater System Expansion	EHP (936-5994-00)	Medium	2 months	100,000	0	0	0	0	0
	Autonomy and Financial Viability Assistance	To be determined	High	6 months	500,000	0	0	0	0	0
	Development of Performance Indicators for S.O.	EHP (936-5994-00)	High	1 month	120,000	0	0	0	0	0
	Community Involvement	EHP (936-5994-00)	High	1 Year	1,000,000	0	0	0	0	0
	Evaluation of Secondary Cities Development	To be determined	Medium	2 months	0	0	0	0	150,000	0
	Development of replicable utility model	To be determined	High	2 months	0	0	250,000	0	0	0
	S.O. No. 8 TOTAL				2,070,000	0	350,000	0	200,000	0
S.O. No. 9 Reduced Generation of Air Pollution										
	TA-Energy Conserv. & Env. Protection (Pollution Prevention)	EP3 (936-5559-00)	High	3 Years	1,000,000	0	2,500,000	0	2,000,000	0
	Design of Pollution Prevention Project	To be determined	High	3 months	0	0	250,000	0	0	0
	Evaluation of Antiquities	To be determined	Medium	2 months	0	0	50,000	0	0	0
	S.O. No. 9 TOTAL				1,000,000	0	2,800,000	0	2,000,000	0
Sp. O. B Approaches to Sustainable Tourism Demonstrated										
	Promotion to Environmentally Sustainable Tourism	EPAT or follow-on	High	3 Years	3,140,000	0	5,000,000	0	5,000,000	0
	Secretariat for Partnership Sub-committee III	EPAT (936-555-00)	High	2 Years	690,000	0	0	0	0	0
	Computerization Inventory of Egypt's Mosaics	WINROCK (DHR-5555-00-Q-00-1085-00)	High	1 Year	250,000	0	0	0	0	0
	Lake Naser Biodiversity/nature protectorates	EPAT or follow-on	Medium	2 Years	0	0	2,000,000	0	2,000,000	0
	Sp. O. B TOTAL				3,830,000	0	5,000,000	0	5,000,000	0

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Mission: Egypt
Country Code: 263

TABLE 4
GLOBAL FIELD SUPPORT
FY 1996 - 1998

PDS/PMIS
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Mission Strategic Obj.	Activity Description	Field Support Activity Title/ Contract Number	Mission Priority	Duration of Activity	ESTIMATED FUNDING					
					Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
					Obligated By		Obligated By		Obligated By	
					Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
	S. S. O. B Broad-Range Technical and Financial Support Provided *				0	0	0	0	0	0
	S.S.O. TOTAL				0	0	0	0	0	0
	OPERATING UNIT TOTAL				28,640,383	0	26,345,000	0	21,450,000	0

NOTE

* Activities Financed under the SSO are attributed to the relevant Mission S.O.

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TABLE 5
STAFF REQUIREMENTS (FY 1996)
USAID/CAIRO

10-Apr-96

STAFF96.WK4

Staff	Strategic Objective 1 Economic Growth	Strategic Objective 2 Female Education	Special Objective A Increased Use of Egyptian Universities	Strategic Support Objective A Improved Human Capacity Development	Strategic Objective 3 Increased Use of Information By Legislature	Strategic Objective 4 Increased CSO Participation in Decision Making	Strategic Objective 5 Improved Civil Legal System	Strategic Objective 6 Reduced Fertility	Strategic Objective 7 Improvements in Health of Women & Children	Strategic Objective 8 Increased Water & Wastewater Services	Strategic Objective 9 Reduced Generation of Air Pollution	Special Objective B Sustainable Tourism Demonstrated	Special Support Objective B Broad-Range Technical & Financial Support Provided	Other Support	Total Staff By Class
USDH	32.5	4.0	1.0	2.0	2.5	4.0	3.0	5.5	7.5	11.0	6.5	1.5		7.0	88.0
FSN (OE)															0.0
FSN (TF)	68.5	5.0	4.0	11.5	5.5	10.0	5.0	11.0	12.5	18.0	6.5	3.5	2.0	123.0	286.0
FSN (Program)	5.0						2.0		1.0	5.0				10.0	23.0
USPSC (OE)															0.0
USPSC (TF)	5.5	0.5			0.5					0.5				9.0	16.0
USPSC (Program)	9.0					0.5	0.5	3.0	1.0	1.0				1.0	16.0
Total Staff by Objective	120.5	9.5	5.0	13.5	8.5	14.5	10.5	19.5	22.0	35.5	13.0	5.0	2.0	150.0	429.0

NOTE:

Total Staff by Objective includes both the technical and support staff required to manage and achieve the intended results of the relevant Objective.

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Table 6	
Operating Expense Requirements	
OE/Trust Funded Levels by Major Function Code	FY 1996
U100 USDH	1,915.7
U200 FN Direct Hire	1,628.4
U300 Contract Personnel	3,998.6
U400 Housing	2,212.1
U500 Office Operations	3,732.6
U600 NXP	657.2
Total Mission-Funded OE	14,144.6
.....Of which Trust Funded	13,644.6