

A.I.D. EVALUATION SUMMARY: PART I

PDCBK776

A. REPORTING A.I.D. UNIT: USAID/EGYPT
ES#:

B. WAS EVALUATION SCHEDULED CURRENT FY EVALUATION PLAN? Yes Slipped__ Ad hoc__

C. EVALUATION TIMING: Interim__ Final__ Ex Post__ Other__

D. ACTIVITY EVALUATED: Local Development II (Project Number 263-0182)

E. ACTION DECISIONS APPROVED BY THE MISSION DIRECTOR:	OFFICER	COMPLETION DATE
1. Conduct relevant local resource mobilization (LRM) analysis to identify policies appropriate for reform and develop LRM position papers for Mission dialogue with the GOE. This LRM agenda will be linked to the LD II policy agenda.	Don Wadley	7/30/90
2. Prepare a strategy paper to address resource mobilization, O&M, and organizational/management issues raised in the evaluation. This strategy will identify ways in which the local development program can be restructured to incorporate policy-based disbursement of block grant funds.	Don Wadley	4/15/90
3. Initiate formal review with GOE counterparts to clarify the national management structure and responsibilities within the GOE for oversight of LD II.	Don Wadley	6/30/90
4. Initiate discussion with the appropriate GOE ministries (MIC, MLA, Finance) to phase the program's O&M requirements into the recurrent cost portion of the Baab II central government budget by the PACD of 9/92.	Don Wadley Chris Crowley	7/31/90
5. Revise the block grant allocation criteria to reflect both need and performance.	John Rifenback Jack Gisiger	6/1/90
6. Establish a USAID-GOE working group to address local O&M issues, including budgeting and procurement of spare parts.	Dennis Wendel	4/1/90

(continuation)

E. ACTION DECISIONS APPROVED BY THE MISSION DIRECTOR:	OFFICER	COMPLETION DATE
7. Conduct research and analysis on effectiveness of local councils in planning and implementing local projects to determine what assistance is most helpful in strengthening local councils' capacity to plan, implement, operate and maintain projects.	Kim Kerston	9/1/90
8. Intensify relevant training of executive and popular councils and appropriate GOE staff in project planning, implementation, operation and maintenance and institute a system to evaluate training effectiveness.	John Rifenbark Jack Gisiger	9/1/90

F. CLEARANCE/APPROVAL OF EVALUATION SUMMARY AND ACTION DECISIONS:

Technical Directorate

Program Development and
Support Directorate

Deputy Director

D. Wadley, DR/LAD/OBT
P. Thorn, DR/AB

T. Amani, PDS/P TA
C. Crowley, PDS/P/OBT
V. Molldrem, PDS/AD
D. Leaty, PDS/P

C. Waden, DD

Approved: _____
Marshall D. Brown, DIR

G. EVALUATION ABSTRACT

Local Development II is intended primarily to improve the capacity of local governments to plan, finance, implement and maintain locally chosen projects to provide basic services and to mobilize local resources to sustain provision of those services. The program provides financial support for locally prepared investment plans, as well as to train local government staff.

This interim evaluation was intended to identify implementation problems and other constraints inhibiting attainment of project goals. The team's overall conclusion was that while LD II has succeeded in building local capacity to plan and implement basic services projects, it has not been successful in improving local financing or maintenance capabilities.

Evaluation Findings:

- o LD II has not been successful in promoting policy changes to increase the power of local governments to raise and retain local revenues. The team found that USAID's original assumptions involving the GOE's commitment to decentralization appeared to be no longer valid.
- o Project management is overly complex and responsibilities are not clearly defined. The management structure originally designed has not become a reality and the resultant leadership void, as well as the complexity of the management design, present major obstacles to project success.
- o The project has been generally successful in building local institutions and providing quality projects, though the evaluators felt that block grant funds could be apportioned more effectively.
- o Operation and maintenance of projects by local government is inefficient and funding mechanisms are not sustainable in the long run.

The key recommendations made by the team include:

- o Press the GOE for modification of laws, regulations and procedures to encourage and stimulate local governments' control of revenues.
- o Encourage establishment of a "General Authority for Local Development" to manage LD II and other GOE local development programs.
- o Review O&M needs in coordination with the GOE, and work to assure sustainable funding to meet them.
- o Change the block grant allocation criteria to take into account demographic factors and movement towards project decentralization goals.
- o Develop a program to evaluate the effectiveness of training and expedite training related to local resource mobilization.

H. Evaluation Costs

<u>Evaluation Team</u>	<u>Contract No.</u>	<u>Contract Cost</u>	<u>Source of Funds</u>
DAI - James Dawson and Abdul Latif Hafez Ismail, Team Leaders	PDC-5317-I-19- 8127-00	\$149,200	LD II Project (263-0182)

I. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

PROJECT DESCRIPTION: The Local Development II Program (LD II) provides technical and financial resources to local governments in Egypt with the intention of supporting and facilitating administrative and fiscal decentralization. Each year the program finances investment plans prepared by local government entities at the village council and urban district level. Local units provide the equivalent of 5% of USAID's contribution, an amount which is matched by an additional 5% grant from the central government. The project is premised on the notion that government-provided basic services will be more effective and of higher value to their recipients if the community is a strong participant in the selection, design, implementation, financing, operation, and maintenance of those services.

LD II's stated purposes are:

a. To improve and expand the capacity of local government at all levels to plan, finance, implement and maintain locally chosen basic service projects; and

b. To improve the capacity of local government to mobilize local resources to support the sustained provision of basic services.

The two main components of LD II follow directly from the stated purposes:

The Basic Services Delivery System (BSDS) provides investment block grants to finance local infrastructure projects chosen through an annually recurring planning exercise. Associated activities under this component include training of local government staff and officials, special activities focused on O&M and wastewater technologies, and the LD II management information system.

The Local Resource Mobilization (LRM) component is aimed at increasing the capacity of local governments to generate and retain funds locally to finance the capital and recurrent costs of basic services. This objective is approached through a combination of training, research on public finance issues, and policy dialogue. A program of block grants to indigenous Egyptian PVOs and a rural microenterprise credit activity are also included in this component.

Successful implementation of LD II depends in large part upon the Government of Egypt's (GOE's) continued commitment to decentralization as evidenced by institutional changes and policy reforms which devolve the central GOE's control over local government decision-making.

EVALUATION PURPOSES: The interim assessment was designed to examine three major problem areas: (1) jurisdictional conflicts among GOE entities responsible for managing and implementing the program; (2) inadequate planning and implementation of operation and maintenance activities; and (3) lack of forward movement on local resource mobilization issues.

The evaluation team was asked to look at five key areas:

he LD II organizational and management structure;

he effectiveness of the block grant components (BSDS, PVO, and training) in building and strengthening local institutions and providing quality projects;

he accomplishments of LD II in strengthening local government O&M capabilities;

he contribution of LRM activities to fiscal decentralization; and

he continuing validity of program assumptions and appropriateness of project purpose statements.

METHODOLOGY: The assessment was carried out by a contract team of four American and four Egyptian consultants over a period of six weeks beginning September 18, 1989. Findings were drawn from field visits with project staff and government officials in eight governorates and a series of briefings and discussions with key GOE officials, project contractors, and USAID staff.

FINDINGS AND CONCLUSIONS: The team's overall conclusion was that, while the LD II program has been successful in fulfilling the first program purpose of building local capacity to plan and implement local projects, the long term sustainability of the program is severely jeopardized by the inability of the existing management structure to provide institutional support and the absence of needed policy reforms. The team concluded that none of the other major issues and constraints facing the program could be successfully addressed until major organizational problems are fully resolved. The team also found little political impetus for making the legislative and administrative changes necessary to see progress toward the second program purpose.

Organizational and Management Problems: The management structure outlined in the LD II Program Grant Agreement included an Interministerial Local Development Committee (ILDC), headed by the Minister of Local Administration (MLA), to function as the overall steering committee for the Program. The ILDC's technical secretariat, or staff office (LD II Technical Amana), was to be the institutional focus for interministerial coordination and management of the program. Staff from each of the ministries represented on the ILDC were to be seconded to the Amana and its subcommittees and work together as a unified team to insure a coordinated, interministerial approach to program implementation. Beneath the ILDC were two main subcommittees, the Provincial and Urban Local Development Committees (PLDC and ULDC) to oversee the provincial and urban components of the program, respectively, and to provide implementation guidance to the governorates responsible for day to day implementation of program activities.

While the PLDC and ULDC, and to some extent the Technical Amana, were judged to have been largely successful in carrying out their assigned functions, the ILDC did not develop into the high level program and policy deliberation body originally foreseen. This problem was perceived to have been exacerbated by (and to some extent caused by) the GOE's decision in 1988 to assign the roles and functions of the Minister of Local Administration to the Office of the Prime Minister. In addition, the LD II Technical Amana was not assigned the permanent staff originally foreseen and, in the absence of a functioning ILDC, assumed an only quasi-legitimate role as the project's overall steering committee, a role which eventually was challenged by the MLA's own "General Amana," an entity which has a permanent existence pre-dating LD II.

The assessment team concluded that the leadership void presented by a non-functioning ILDC, and the resulting jurisdictional conflict between the MLA and LD II Technical Amana, were the primary obstacles to institutional sustainability of program activities at the national level. In addition, the team felt the overall structure, even if it were functioning properly, was overly complex in design and in need of streamlining. Finally, the team felt that vesting implementation authority in temporary bodies and committees rather than in permanent GOE structures significantly reduced the potential for long term institutional sustainability of the program.

The team outlined several alternative management structures and concluded that the best solution would be for the GOE to establish a separate and new "General Authority for Local Development (GALD)" within the Ministry of Local Administration. This new entity would provide overall administration for GOE local development activities, including LD II. It was recommended that the GALD be created essentially through a broadening of the responsibilities of ORDEV, the current implementing agency for the provincial BSDS component, by having its responsibilities revised and expanded to include jurisdiction over the urban governorates.

Institution Building and Project Quality: The team was asked to evaluate the effectiveness of LD II block grant components in building local institutions and providing quality projects. Following a preliminary analysis, the team concluded that it was too early to evaluate LD II's impact on capacity building within local institutions. Nevertheless, they were able to make certain observations:

First, the team noted that local councils had gained considerable experience in assessing community needs, planning and designing appropriate projects to fill those needs, and in providing for operation and maintenance. While there is still a long way to go, the trend toward improved local capacity is clear.

The team noted, however, that LD II's two main training activities (that carried out directly by technical assistance contractors and that funded through the Training Block Grant activity) were seriously delayed, with over three-fourths of all training having taken place in the nine months just prior to the evaluation. Although the team noted that this training has the potential to greatly enhance local government institutional capacity in the long run, they felt it was too early to gauge its impact.

The team also questioned the practice of apportioning block grant funds to governorates primarily on the basis of population. The evaluators suggest that LD II instead allocate grants using a combination of need indicators (e.g. population, literacy rate, unemployment) along with some measure of each governorate's progress towards the project's decentralization goals.

The team visited seven pilot wastewater treatment plants in Damietta to examine the issue of project quality. They found that procedures being used were appropriate and in general conformance with accepted engineering practices. Construction inspection was found to be inadequate, however, primarily due to a shortage of experienced personnel and lack of available transportation to project sites.

Finally, the team found that the LD II management information system (MIS) was not being used in local decision-making, planning, and implementation. Instead, the MIS was serving more as a monitoring tool to provide financial information and other data to USAID and the GOE.

Operation and Maintenance (O&M): The assessment team found that local government O&M capabilities were generally inefficient, with poor spare parts management and a shortage of trained mechanics and tools. In addition, O&M expenditures were being covered primarily by the central government rather than through local generation of revenues. Further, the source of the central government O&M funds was the USAID/GOE Special Account rather than the regular GOE recurrent cost budget. The team judged this approach unsustainable over the long term.

Local Resource Mobilization (LRM): Despite significant efforts, including a number of pilot activities, LD II had not made much progress in securing necessary policy changes to increase the ability of local governments to independently raise and retain revenues to cover local costs. Without some mechanism for generating and retaining additional local revenues, local governments will have to continue to rely on central government funding for recurrent costs, making it impossible to assure that benefits from LD II local projects are sustained. Noting that the current political environment does not inspire optimism that the necessary policy changes to support decentralization will take place in the near future, the team concluded that the program's stated LRM goals could not realistically be met by the end of the program.

Program Design Assumptions: The team reviewed the seven "Important Assumptions" in the LD II Project Paper Logical Framework and found that the key assumptions involving the GOE's commitment to decentralization of authority and willingness to assign staff to implement decentralized programs appeared to be no longer valid.

The team felt that the basic objectives of the BSDS investment block grant component could be met under the current set of circumstances; however, the long term sustainability of these investments, toward which the LRM component is directed, is questionable as long as these assumptions remain invalid.

PRINCIPAL RECOMMENDATIONS: On the basis of their findings, the assessment team made a total of 33 recommendations. The key recommendations can be summarized as follows:

1. Encourage policy decision at the highest levels of the GOE to modify present GOE laws, regulations and procedures to encourage and stimulate greater Local Resource Mobilization (LRM) at the local council level.
2. Promote the establishment of a General Authority for Local Development (GALD) within the Ministry of Local Administration to manage LD II and other GOE local development programs.
3. Consider alternative criteria for allocation of block grants to governorates such as 40% on the basis of population, 30% on the basis of equity, and 30% on the basis of decentralization performance.
4. Request that the GOE develop a plan for phasing the program's O&M requirements into the recurrent cost portion of the Baab II central government budget before the end of the project in 1992.
5. Form a joint USAID-GOE working group to develop a more coordinated approach to O&M issues, including procurement of spare parts and development of permanent systems to provide long-term recurrent cost funding.
6. Give priority to expediting the wide range of training proposed in the original program design for local resource mobilization and develop a program to evaluate the effectiveness of LD II training programs.
7. Change the second part of the LD II program purpose statement to read:

"To strengthen the capacity of both central and governorate-level staff to assist urban and provincial districts and village councils to mobilize local resources to support the sustained provision of basic services."

MISSION COMMENTS:

As noted in the introductory section, the assessment was designed expressly to identify workable solutions to problems identified by program management in the Terms of Reference. The team's recommended solutions fall into three general categories: (1) recommendations aimed at improving implementation of specific activities, (2) recommendations concerning means to resolve program management issues stemming from jurisdictional conflicts between competing GOE entities, and (3) recommendations aimed at accelerating progress toward achieving broader policy objectives.

With regard to the first category, the Mission is in general agreement with most of the recommendations and is presently incorporating appropriate refinements into the LD II technical assistance contractors' scopes of work, particularly in the areas of O&M and training, and will recommend parallel changes in implementation procedures to GOE counterpart agencies. In many cases, the recommendations in this category represent the team's endorsement of, or recommendation to strengthen, approaches and systems already in effect or currently under development in the program.

We have less confidence in the team's proposed solutions to the program's overall policy and management issues. For example, based on our preliminary discussions with GOE counterparts, we question whether formation of a new organizational entity (GALD) is either (a) feasible administratively or (b) likely to resolve the jurisdictional issues in a manner that will contribute substantively to the attainment of the program's decentralization goals. Rather, the Mission is seeking to clarify with the GOE the organizational and management structure as it now exists. The Mission is using the evaluation as a means to emphasize to the GOE the importance of resolving the organizational problem.

Although the team emphasized the importance of increased local resource mobilization (LRM) to local communities' continued ability to support local projects, the report contained no specific recommendations about how LRM policy reform should be approached. The team's proposed rewording of the Project Purpose statement suggests abandoning policy goals and emphasizing intermediate outputs. The Mission believes policy change to bring local resource mobilization and decentralization of authority is critical to development progress in Egypt. Rather than abandon policy concerns, the Mission is taking steps to redesign its local development sector assistance in order to address policy objectives more directly. The Mission is currently taking steps beyond the assessment recommendations and restructuring the local development program to condition disbursement of block grants on policy progress in key areas. This will start in FY 1990.

For the most part, the assessment addressed the questions posed in the scope of work and has fulfilled its primary purpose of signaling to the GOE the need for a clear restatement of the respective roles and responsibilities of the various GOE implementing agencies, both central and local. This restatement and clarification is needed both to improve program performance for the near term and to ensure institutional sustainability over the long term.

A Midterm Assessment of the Local Development II Program in Egypt

263-0182

**Prepared for the U. S. Agency for International Development under
contract number PDC-5317-I-19-8127-00**

**James W. Dawson
(Co-Team Leader)
William F. Fox
Philip S. Lewis
James B. Mayfield**

**Abdul Latif Hafez Ismail
(Co-Team Leader)
Hamdy Al-Hakim
Ali M. Kamel
Ahmed Salem**

November 1989



Development Alternatives, Inc. 624 Ninth Street, N.W. Washington, D.C. 20001

TABLE OF CONTENTS

	<u>Page</u>
GLOSSARY	iii
EXECUTIVE SUMMARY	v
CHAPTER I	
INTRODUCTION AND BACKGROUND	1
A. Preface	1
B. Assessment Methodology	1
C. Program Description and Status	2
CHAPTER II	
MAJOR CONCLUSIONS AND RECOMMENDATIONS	5
CHAPTER III	
ASSESSMENT ANALYSIS	9
A. Organizational and Management Issues	9
B. Institution Building and Project Quality	15
C. Operation and Maintenance	22
D. Local Resource Mobilization	27
E. Program Design Assumptions	30
ANNEX A: SCOPE OF WORK	A-1
ANNEX B: STATISTICAL DATA	B-1
ANNEX C: PERSONS INTERVIEWED AND PROJECTS INSPECTED	C-1
ANNEX D: PRE-ASSESSMENT STUDY: LOCAL RESOURCE MOBILIZATION	D-1
ANNEX E: ORGANIZATIONAL CHARTS AND FUNCTIONAL STATEMENTS FOR LD II	E-1

ANNEX F:	BIBLIOGRAPHY	F-1
ANNEX G:	SUMMARY BIOGRAPHICAL INFORMATION: ASSESSMENT TEAM MEMBERS	G-1
ANNEX H:	LD II PROGRAM - AN ASSESSMENT OF ALTERNATIVE MANAGEMENT STRUCTURES	H-1
ANNEX I:	EXECUTIVE SUMMARY VILLAGE COUNCIL STUDY	I-1
ANNEX J:	WASTEWATER: DESIGN, CONSTRUCTION AND INSPECTION ISSUES	J-1

GLOSSARY

AID	Agency for International Development
AMANA	Technical Secretariat
Bab	Chapter of the Egyptian National Budget
BSDS	Basic Services Delivery System
BVS	Basic Village Services Project
CIP	Commodity Import Program
DAC	DAC International, Inc.
DR	Office of Development Resources, USAID/Egypt
DSS-I	Decentralization Sector Support Project I
FY	Fiscal Year (US Government)
GLDC	Governorate Local Development Committee
GOE	Government of Egypt
ILDC	Interministerial Local Development Committee
LAD	Office of Local Administration and Development, USAID
LD II	Local Development II Project
LE	Egyptian Pounds
LRM	Local Resource Mobilization
LSDF	Local Service and Development Fund
MIC	Ministry of International Cooperation
MIS	Management Information System
MLA	Ministry of Local Administration
MOF	Ministry of Finance
MOP	Ministry of Planning
MSA	Ministry of Social Affairs
NUS	Neighborhood Urban Services Project
O&M	Operation and Maintenance
OMED	Office of Management and Economic Development
ORDEV	Organization for the Reconstruction and Development of the Egyptian Village
PACD	Project Assistance Completion Date
PLDC	Provincial Local Development Committee
PP	Project Paper
PVO	Private Voluntary Organization
TA	Technical Assistance
TBG	Training Block Grant
ULDC	Urban Local Development Committee
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

This study was designed as a midterm assessment to assist the U.S. Agency for International Development and the Government of Egypt (GOE) to identify implementation problems and constraints inhibiting the attainment of the objectives of the Local Development II (LD II) Program, and to recommend actions to address the problems and constraints. The assessment was carried out over six weeks beginning on September 18, 1989, by an eight-person team of four Americans and four Egyptians (See Annex G). The team inspected 40 program-funded local projects in eight governorates and met with governors and other local officials. In Cairo the team met with a wide range of government officials, technical assistance (TA) contractors, and USAID staff. These activities, together with a review of program guidelines, project documentation, and progress reports provided the basis on which the findings, conclusions, and recommendations of this report are based.

In general, the team concluded that the LD II Program has been very successful in assisting local governments to carry out a large number of local projects designed to provide basic services to the rural and urban poor. These activities included water and waste water systems, roads, schools, clinics, and a wide variety of other activities designed to improve the economic and social condition of the beneficiaries. More specifically, the institutional capacity of the local councils (governorate district and village) appears to have been strengthened considerably as a result of the program. However, the team also confirmed problems and constraints identified by the USAID Office of Local Administration and Development (LAD) that were seriously impeding the achievement of the program's two long-term institutional objectives of sustainability and local resource mobilization.

The most serious issue identified relates to the program's overall management at the central levels of the GOE. The organizational structure specified in the original program design was only partially implemented by the GOE and the structure that does exist suffers from (1) the lack of a functioning, high-level policy review organization, (2) perceived jurisdictional and overlapping authorities, (3) the lack of a permanently staffed secretariat, and (4) a central-level management system that operates outside of the formal government system. Much of this problem is perceived to be largely due to the lack of a full-time Minister of Local Administration and a clearly designated organization responsible for the implementation of LD II. The team concluded that none of the other major issues and constraints facing the program could be successfully addressed until these major organizational problems are fully resolved. We have recommended that USAID consider bringing this issue to the attention of the highest levels of the GOE, and that these issues be resolved so that USAID can continue to support the LD II Program. The joint team strongly recommends that a General Authority of Local Development be established to deal with these issues.

One of the two major program purposes was to improve the capacity of local government to mobilize local resources in order to sustain the provision of basic services. The overwhelming observation was that the councils do have more capacity and have made considerable progress in their ability to assess needs, plan and design projects, and implement local projects. The large infusion of funds through the investment block grant component of LD II, over 80 percent of total program funds, has had a dramatic and dynamic impact on the way these councils see themselves and how they interact with government officials. The seeds of pluralism are being planted through the LD II Program process.

The team also reviewed the program's operations and maintenance (O&M) activities and found that they were only marginally effective in strengthening local government's

capabilities in O&M, particularly at the village and district level. Its overall performance is being constrained by (1) the shortage of trained technical staff, (2) the lack of a fully operational preventive maintenance system, (3) the lack of an effective spare parts procurement system, and (4) a general lack of an adequate O&M budgeting system. The team also questions the financial soundness of the GOE's practice of providing funds for recurrent O&M costs from special local currency allocations, rather than building these costs into the regular budget or creating systems allowing funds for this purpose to be generated, retained, and expended locally. The Ministry of Finance (MOF) is encouraged to increase the flexibility in the budget regulations related to governorates, and extend to these governorates similar flexible regulations presently given to public authorities.

The team reviewed the impact of the program's block grant components on institutionalization and project quality and concluded that alternative allocation criteria should be considered to more effectively address the issues of performance and equity, both within and among governorates. We recommend a formula be developed that allocates resources more on the basis of need and performance criteria. Several suggested criteria are described in Annex H.

We also concluded that the program's sizable training component, both that provided by TA contractors and the Training Block Grants (TBG), would have a significant impact on institution building and quality, but that neither of these activities has been under way long enough to make a judgment on the degree of their effectiveness to date. The TA-provided training only began in late 1988, and the TBG program is just now getting under way. We strongly recommend that GOE officials pursue a strategy that builds a GOE training capacity in a way that allows TA-provided training to be eventually phased out at some point in the future.

Local Resource Mobilization (LRM) is a crucial part of LD II and clearly needs greater emphasis and support from the GOE. The program design outlined eight specific actions that were to be undertaken to achieve this objective, including three in policy, three in administration, and two in training. Our investigation revealed that, while significant efforts have been expended on various action steps, very little progress has been made in achieving the LRM objectives identified for LD II. In retrospect, we have concluded that the original design objectives may have been overly optimistic because of the current policy environment regarding decentralization and because of the tendency for the central government to retain control over most sources of revenue. It is difficult for a clear signal to be articulated by the GOE when there is no full-time Minister of Local Administration to represent the concerns and positions of the local areas.

Other major recommendations include:

- o A significant new approach to the management and organization structure of LD II to ensure a high-level policy dialogue on constraints to administrative and financial decentralization, by establishing a formal General Authority For Local Development to give greater legitimacy and flexibility to the process of local development and to provide a more unified approach for LRM and O&M at the local level;
- o Establishment of an ongoing set of orientation workshops to ensure that governors and their key staff are continually reminded of the purpose and objectives of LD II and to stimulate within these governorates a more development-oriented approach among the local councils at the governorate, district, and village levels;

- o Formation of a joint US-GOE working group to develop a more coordinated approach to O&M activities in local areas including: (1) a centralized spare parts procurement system; (2) systems to address the problems of O&M staffing, tools, and inventory control; (3) the development of a plan by the GOE to phase LD II O&M funding into the Bab II account of the regular budget, and to study ways in which local resources can be made available for this purpose; and (4) assessment of the criteria used for budgeting O&M costs, and provision of an updated, need-based formula reflective of current cost information;
- o Expedition of the training activities originally planned under the program's LRM component, but which have not been fully implemented to date; and
- o Encouragement, at the highest levels within the GOE, of a policy dialogue on the need to modify the present GOE laws, regulations, and procedures to encourage and stimulate greater LRM at the local council level.

CHAPTER I

INTRODUCTION AND BACKGROUND

A. PREFACE

This assessment, completed over the course of six weeks, is an attempt to review a complex set of organizational, technical and management relationships that reach from the capitol in Cairo to the lowest levels of the Egyptian local administrative system. This task has been made even more challenging by the dynamic and evolutionary nature of the US-GOE local development effort that reaches back to 1979 with the initiation of the Basic Village Services Project, and has taken on many permutations in the process of defining the current Local Development II (LD II) Program. We noted that many of the program participants tended to view this effort as a continuous process rather than as an iteration of several discrete projects. In the course of the assessment we have attempted to make recommendations that could immediately strengthen the LD II Program and its institutional base.

The team would like to thank the many GOE officials and technical assistance (TA) contract staff who took time from their regular duties to provide us with useful data and information. Their honest and candid views were invaluable in assisting us arrive at what we hope are useful and meaningful recommendations. We would also like to thank the LAD/DR staff at USAID/Cairo for their support and assistance, and for keeping us focused on our primary objective.

The main body of the report is a team effort. As in any such document, each member may have preferred a difference in nuance or stress in the wording of a conclusion or recommendation. The essential elements of the report, however, represent the combined views of the group. The report was put in final form after two of the team members had provided substantial input and left. Thus the team leader must take responsibility for any late but necessary changes.

B. ASSESSMENT METHODOLOGY

The midterm assessment team was composed of eight individuals, four Egyptians and four Americans, whose biographical information is summarized in Annex G. The assessment was undertaken over a period of six weeks beginning September 18, 1989, with approximately ten days devoted to field visits for on-site inspections and discussions with urban and provincial governors and concerned governorate staff. A total of eight governorates were visited.

In addition to field visits to eight governorates, the team spent an additional two-weeks in a series of discussions and briefings with (1) key GOE officials involved in program policy and overall project implementation, (2) U.S. and Egyptian contractors providing technical assistance to the project, and (3) staff of the Local and Administrative Development (LAD) Division of USAID/Egypt. These activities, together with an intensive review of written program guidance and documentation, and Mission and contractor progress reports, provided the underlying basis on which the findings, conclusions and recommendations of this report were developed. The actual number of local projects inspected during our field trips was extremely small in comparison to the large number that have been undertaken to date, but the team found these visits extremely valuable in providing an overview of the type of activities being undertaken within the program. A listing of the persons contacted during the course of the evaluation is contained in Annex C.

At the conclusion of the first three-week period, the team briefed the staff of LAD/DR on their major findings, conclusions and tentative recommendations. At the end of the fourth week the team submitted a draft report to USAID for their review and comments. After consideration of USAID comments, the final report was prepared and submitted to USAID on October 25, followed by formal briefings with the Mission and GOE on October 26 and October 29 to present the team's final recommendations.

C. PROGRAM DESCRIPTION AND STATUS

Program Description

The Local Development II (LD II) Program was authorized in August 1985 for the purposes of (1) improving and expanding the capacity of local government to plan, finance, implement and maintain locally chosen basic services projects; and (2) improving the capacity of local government to mobilize local resources in order to sustain the provision of basic services. The initial grant Agreement, signed in September 1985 indicated the U.S. government would provide \$156 million to finance project activities over a three-year period, with the Government of Egypt (GOE) agreeing to provide a local currency contribution equivalent to U.S. \$72.2 million as counterpart support. Subsequent amendments to the Grant Agreement have increased total U.S. obligations to U.S. \$341 million and extended the Project Assistance Completion Date (PACD) from September 30, 1989 to September 30, 1992.

In a number of ways, the LD II Program is a continuation of local development initiatives begun in 1978 under Development Decentralization Project I. This initial effort was subsequently expanded to incorporate basic village and neighborhood urban services, and for the provision of construction and other equipment. This expanded program, known as Decentralization Sector Support I (DSS-I), provided a total of U.S. \$450 million prior to the establishment of the current LD II Program. While there are a number of similarities between DSS-I and LDII, there is a distinct difference in their approach and objectives. DSS-I was primarily concerned with provision of basic services at the local level, and U.S. support was primarily focused on the end product; i.e., local projects. Under LD II, local projects have become a means, rather than an end in themselves, to develop a sustainable process for local government to plan, fund, implement and maintain needed basic services. To achieve this objective the LD II Program has attempted to:

- Make capacity-building a major focus of the program through the provision of program resources for training and technical assistance at all levels of the local government;
- Make the concept of local resource mobilization a central theme for developing the capacity to sustain program benefits;
- Develop a system of block grant funding focused more upon the process by which basic services are planned and undertaken, rather than on the basic services local projects themselves;
- Make greater use of private sector resources through the support of local private and voluntary organizations (PVO's) and a pilot rural enterprise credit activity;
- Support the development of a central government capacity to carry out policy analysis and to provide overall program coordination and direction.

As a result of the revised program focus under LD II, the project anticipated that the following institutional systems and processes will be completed and institutionalized by the completion of the program in 1992:

1. The establishment of a functioning Interministerial Local Development Committee and its Technical Secretariat (Amana) to provide:
 - A formal structure and process through which policy constraints to administrative and financial decentralization could be reviewed and studied on a regular basis;
 - Specific policy changes and amendments would be developed through a dialogue among representatives of the relevant ministries concerned with local development;
 - Necessary decrees and guidelines would be issued and distributed to the appropriate levels of local administration;
 - Technical assessment, implementation oversight, and evaluation of local development programs.
2. An integrated planning and budgeting system for local government that includes adequate allocations to local units to cover recurrent costs, and locally developed long-term plans for basic services.
3. A matching block grant system, with local matching funds being increasingly derived from user fees for the services provided.
4. A maintenance system at each level of government, capable of maintaining both fixed plant and rolling stock.
5. A system of grants to PVO's to stimulate local, private provision of basic services.
6. Greater access for the rural and urban poor to basic services through the construction or rehabilitation of 3,150 local projects by local government units and PVO's, and the provision of 500 pieces of equipment or fixed plant for O&M or other project related purposes.

Project Status

As of September 30, 1989 the program had expended approximately \$253 million in support of planned activities, distributed as follows:

	<u>Amount</u>	<u>%</u>
- Provincial and Urban Block Grants	\$214.1 million	85.0
- Provincial and Urban PVO Grants	14.4 million	5.7
- Technical Assistance	15.6 million	6.2
- Training	.5 million	0.002
- Evaluation and Research	.9 million	0.003
- Special Projects	7.6 million	3.0

These funds have been utilized as follows:

1. \$214.1 million for provincial and urban block grants to 26 governorates to finance three annual program cycles wherein village/district councils identify, plan, implement, operate and maintain locally selected development activities focused on the provision of basic services. These funds, together with the GOE's contribution (10%), have been utilized to construct or rehabilitate over 10,000 subprojects since 1986; including water systems, access roads, clinics, schools, vocational training centers and a variety of other activities.
2. \$14.4 million for block grants to local PVO's in the 26 governorates. These grants have been instrumental in assisting local organizations construct or rehabilitate approximately 1920 village-level subprojects. Local contributions constitute a minimum of 25 percent of total project costs, and in 1989/90 the average level of local contribution was closer to 34 percent.
3. \$15.6 million for the support of four major technical assistance contractors who provide assistance in planning, implementation, operations and maintenance, and training.
4. \$5 million for training including U.S. and third-country observational training for governors, provincial-level staff, and Ministry of Finance staff concerned with local resource mobilization.
5. \$9 million for evaluation and research activities including a rural water assessment and the mid-term assessment.
6. \$7.6 million for special project activities which have included:
 - A pilot waste water activity;
 - A rural small scale enterprise credit activity;
 - A one-time emergency flood rehabilitation activity in two governorates;
 - A governorate level pilot maintenance center activity in four locations;
 - An urban vehicle repair activity.

CHAPTER II

MAJOR CONCLUSIONS AND RECOMMENDATIONS

The assessment team has concluded that there are several major issues that should be addressed in this section, but none more important than the complexity and confusion regarding the overall organization and management of the LD II Program at the central level of the Egyptian government. As discussed in detail in Chapter III, the present systems suffers from (1) jurisdictional and overlapping control authorities, (2) the lack of a functioning policy level organization, (3) the lack of permanently staffed secretariat, and (4) a management system that operates somewhat independent of the formal government structure. As a result, there are serious delays and issues affecting many major project components; and it is our judgement that none of the other outstanding problems and issues associated with LD II will be adequately addressed until the project's organizational and management problems are resolved. It is therefore recommended that USAID consider bringing this issue to the attention of the highest levels of the GOE, preferably the Prime Minister (especially in his capacity as Minister of Local Administration), with the message that these issues should be resolved so that the U.S. can continue to support the LD II Program.

In Chapter III, Section A, the report presents three specific options for addressing the policy dialogue issue and four for program management. In the case of program management, it discusses the advantages and disadvantages of each option. In summary these options include:

Policy Dialogue

1. Utilize an already existing committee i.e., the High Committee of Policies;
2. Reactivate the ILDC; and
3. Informalize the policy dialogue process through the use of already existing lower-level committees.

Program Management

1. Keep the Technical Amana;
2. Use the MLA General Amana;
3. Use ORDEV; and
4. Establish a "General Authority of Local Development," headed by a Deputy Minister within the Ministry of Local Administration.

After considerable discussion among the joint U.S.-Egyptian Team, a strong majority agreed that a new "General Authority of Local Development" should be established within the Ministry of Local Administration as soon as possible. This conclusion rests on the observation that the national-level management and organizational problems are serious and that local development is such an important part of Egypt's development strategy that a formal "General Authority" is the best organizational mechanism for dealing with this issue.

During the interim period, it is recommended that the Provincial and Urban Development Committees continue to function as before, with a joint GOE-USAID meeting convened to determine the working relationship between the Technical Amana and the General Amana during this interim period.

The assessment team has reviewed the impact of the components of the block grant funding system on the issues of program quality and institution building. We have concluded that the current block grant allocation criteria is not appropriate for a program whose target is the "Low income residents in rural and urban Egypt," nor do the criteria encourage improved local project quality. We have therefore recommended that the allocation criteria be modified to include both need and performance factors in order to balance economic and social growth in the long run. A variety of criteria have been provided in Annex B, Table 3 as suggested alternatives.

We have also reviewed the program's sizeable training component and feel that it will have a significant impact on both institution building and project quality over time. However, the training element has only recently begun and it is much too soon for us to make a definitive judgement on its eventual impact at this time. One serious issue with respect to the training program is how training for local development becomes institutionalized within the GOE to the point that TA-provided training can eventually be phased out. The current strategy appears to be to develop this capacity at governorate training departments and the Sakkara Training Center when it becomes operational, but detailed plans of how this facility will be staffed and supported are still unclear. It is recommended that a TA Contractor be used in the development of strategies, planning and programs of this training facility and that specific emphasis be given to training in both Sakkara and in the governorates with "on-the-job" training options. We recommend that USAID request the GOE for clarification on this point.

The assessment team also reviewed the program's Operations and Maintenance (O&M) activities and has concluded that this program is only operating at a marginal level of efficiency; due in part to (1) an inefficient spare parts system, (2) an insufficient number of trained mechanics and tools, and (3) little effort to link LRM requirements to the local O&M activities. It was also concluded, as a result of the current GOE budget deficits, that local government O&M requirements may not be forthcoming in the Bab II recurrent cost budget, and that a much stronger effort must be made to cover more of these costs at the local level. Instead, the current O&M funding is being provided from a U.S. financed local currency generation (CIP) program (Special Account), which has alternative development uses and is only temporary. We do not view this approach as financially sound in the long run and it casts doubts on the sustainability of the benefits accruing under the program. To address the problems noted above we have recommended the formation of a joint US-GOE working group to:

- Develop a centralized spare parts procurement system;
- Develop systems to address the problems of O&M staffing, tools and inventory control;
- Assess the criteria used for budgeting O&M costs, and provide an up-dated, need-based formula reflecting current costs;
- The development of a plan to (1) phase O&M funding into the regular Bab II account of the budget, and (2) study ways in which local resources can be made available for this purpose.

The program's major local resource mobilization (LRM) component has faced severe difficulties, and while significant efforts have been expended in various action steps, very little progress has been made in achieving the LRM objectives identified in the Grant

Agreement. There has been limited progress in achieving any of the eight end-of-program objectives included in the original program design, nor does it appear likely that much progress will be made in this area before the end of program in 1992 unless priority action is initiated in the very near future. In retrospect, we have concluded that the original program design was too ambitious for the current policy environment, but that more progress could have been made than what has been achieved to date. As a result, we have recommended a shift in emphasis in the program purpose for this objective from "to improve the capacity of local government to mobilize local resources to support the sustained provision of basic services" to "to strengthen the capacity of both central and governorate-level staff to assist urban and provincial districts and village councils to mobilize local resources to support the sustained provision of basic services." Such a commitment would require meaningful policy dialogue and reform, greater effort in LRM training, some specific changes in regulations and procedures presently discouraging local resource mobilization, and increased flexibility in the authorization of user's fees and alternative pricing mechanisms. It is our strong hope that by the end of FY90, that these problems will be resolved.

Lastly, the team reviewed the seven underlying design assumptions contained in the project's logical framework and found that at least three are only partially valid, or are at best questionable. These relate to (1) the GOE's continued commitment to decentralization, (2) delegation of authority to lower levels of local government, and (3) the assignment of necessary trained staff to effectively implement the project. Given these changes in the program's outer environment, we have recommended a shift of emphasis in the program purpose relating to LRM as noted above.

CHAPTER III
ASSESSMENT ANALYSIS

A. ORGANIZATIONAL AND MANAGEMENT ISSUES

Discussion

The assessment scope of work requires that the following questions regarding organization and management issues be addressed: How adequate and effective has the LD II Program's organizational and management structure been in supporting implementation at the governorate and national levels to achieve project goal and purpose by the PACD? What is the role of the various GOE implementing and support agencies? What are the primary problems and constraints with the existing structure? Are the LD II organizational entities in place, functioning, and coordinating to achieve the stated purpose and objectives by the program completion date of 9/30/92?

Findings:

1. THE COMPLEXITY OF THE PRESENT LD II ORGANIZATIONAL SYSTEM:

The overwhelming numbers of observations coming from governorate level officials, representatives of the technical assistance contractors, USAID officials, and some GOE officials at the national level are that (1) the present national level LD II management and organizational structures are cumbersome, (2) characterized by problems of jurisdiction and overlapping control authorities and, (3) that organizational and management problems have caused unnecessary delays in disbursements and program implementation decisions. (See Annex E-1 and 2.)

2. THE TEMPORARY COMMITTEE SYSTEM OF THE LD II PROGRAM: The major organizational and management question facing the LD II program is in the original design and subsequent attempt to use a series of committees with seconded staff from participating ministries/agencies to manage the national level implementation process instead of seeking to utilize already existing agencies which have some permanence in terms of staff and budgetary support. In comparing the structure of the BVS program with the present LD II Program, it is important to note that the BVS program had a formal Egyptian government entity (ORDEV) through which that program was implemented. The present LD II Program has been constrained by the fact that the Technical Amana and the Provincial and Local Development Committee (PLDC) Urban Local Development committee (ULDC) are structured outside the regular Egyptian budget with no administrative legitimacy within the formal government structure except for ORDEV as the continuing provincial component implementing entity. The present LD II Program Technical Amana, the PLDC, ULDC, and the various subcommittees (LRM, PVOs and training) are temporary entities established by the grant agreement and thus are subject to the cross pressures of competing personalities and the lack of a sustainable source of funding and support after the program ends. While designed in this manner for flexibility in trying new approaches, still the institutional sustainability is questionable.

3. A NON FUNCTIONING INTERMINISTERIAL LOCAL DEVELOPMENT COMMITTEE:

The Interministerial Local Development Committee (ILDC), which was to provide overall policy guidance, review and coordination, has met once since the inception of the program in 1986. The most common explanation for this committee not meeting rests with two problems: First, The Ministry of Local Administration is perceived by officials

perceived by officials from other ministries not to be the appropriate ministry to chair this type of interministerial committee. Second, when the responsibilities of the Ministry of Local Administration were taken over by the Prime Minister himself, it was assumed that he would be able to chair the ILDC on a regular basis, or delegate this responsibility. Unfortunately, this has not been the case. These problems have created an executive void in the program, creating jurisdictional conflicts and overlapping control authorities, particularly after the departure of a full-time MLA Minister.

4. THE TECHNICAL AMANA FILLING A FUNCTIONAL VOID: In the absence of an active ILDC, the Technical Amana, originally conceived as a technical secretariat to provide staff support to the ILDC, has gradually taken on the major task of administration and coordination within the LD II Program. It is widely recognized that the Technical Amana, working with the two subcommittees (Provincial and Urban Local Development Committees), has generally been quite successful in implementing the investment Block Grant Component with only minor delays in the actual disbursement of funds to governorates. It is important to note that over 80 percent of all LD II Program funds have been disbursed primarily through the Provincial and Urban Local Development Committees in a timely and effective way and that the overwhelming assessment of this process is positive.

5. PROVINCIAL-URBAN DIVISION WITHIN THE LD II PROGRAM: Governorate officials in Qalyubiya and Giza both raised the issue as to why they have to deal with two program components and two contractors. These two governorates reflect a unique situation in the LD II program where they both have significant urban and rural populations and thus receive funds through both the ULDC and PLDC. They have sought some clarification for the rationale of having two separate components within these two governorates. They argued that the separation of the program into urban and provincial components made little sense from the perspective of the governorate level staff.

Conclusions:

1. Relatively simple management structures prevailed during the implementation of the prior Decentralization Sector Support agreement (DSS-I), especially the BVS and NUS Projects. The nature of the problems encountered and the experience gained during that phase pointed to a need for some revisions. The management structure for the LD II agreement was to respond to these organizational concerns by bringing together, both in the center and in the governorates, ministerial representatives concerned with local development issues.

This structure was fairly well described in the project paper, however the functions of each component were provided in only very general terms. There is little evidence that effective follow-up dialogue took place to define more clearly the objectives to be pursued and functions to be carried out.

2. During the BVS program the Organization for the Reconstruction and Development of Egyptian Villages (ORDEV) was a formally constituted Egyptian government agency with responsibility to coordinate, monitor, and support the provincial Basic Village Services program. As an established agency within the Egyptian government, ORDEV had a legitimate base from which to operate. Nearly all the officials interviewed during this evaluation indicated that the BVS program was successful largely because of the positive role that ORDEV was able to play during that time. It was also acknowledged that NUS was somewhat hampered by not having a similar government agency to work with in the urban areas even though the secretariat made up of the urban governorates was quite effective in directing implementation and using the TA contractors. Unfortunately, the specific role and function of ORDEV was inadvertently left out of

the LD II Agreement. See the letter dated March 1987 designating ORDEV as the exclusive agency of the Provincial Component of LD II (Annex E-6). Under the LD II Agreement, the provincial program continues to be supported by ORDEV with the Chairman of ORDEV being the deputy of the Provincial Local Development Committee. The urban component is not housed within a regular government agency. Various committees were established to coordinate and monitor their respective activities with the result that some officials in the formal structure of the GOE began to question the legal right of such "committees" to function as legitimate representatives in a joint GOE/USAID program.

3. An important element of the LD II program was the recognized need for the GOE to seriously review, analyze, and make recommendations concerning policy constraints and problems regarding administrative and financial decentralization. The appropriate structure within the LD II to deal with these policy issues would be a functioning ILDC. It appears in retrospect that the envisioned value of the ILDC as a top level policy review and discussion committee was never completely accepted by officials within the GOE.

4. In spite of the questions of legitimacy and legality that have surrounded the LD II Technical Amana, it must be recognized that this committee has performed a very useful role in providing on-going management and administrative support to the LD II program. Nevertheless, this informal arrangement whereby the Technical Amana has by necessity been encouraged to take a more active role in the implementation of the LD II Program than originally foreseen must be viewed as temporary.

5. Even if the policy issues were appropriately defined and researched by the LD II Technical Amana, the actual pre-conditions for such policy reform and change were never clearly identified in the project documents and more seriously, the appropriate staff, resources, and equipment needed to support this process were either never made available or only made available after long delays by the participating ministries.

6. In the long run, the present division between urban and provincial governorates probably should not be continued. There is strong sentiment that the distinction between urban and provincial areas at the district level is quite artificial and serves little useful purpose.

Recommendations:

A modified LD II management and organizational structure needs to be implemented within the near future taking into consideration a careful assessment of the objectives to be pursued, a delineation of the roles and functions to be performed at different levels within the system established, and a review of the interests and agendas that appear to motivate the participants in the LD II Program. The following basic principles guided the recommended changes being presented: (1) Clear lines of authority and a chain of command should be established through a formal delegation of responsibility, (2) The organizational structure should be simple enough to facilitate timely decision-making, better coordination of activities and greater effectiveness in implementation, (3) More decision-making authority related to implementation should be prepared to be decentralized to the level of the governorate within a reasonable period of time, (4) The present committee structure organized under the LD II Program should be integrated or associated with appropriate ministry activities to ensure greater legitimacy and viability for the staff being seconded into these committees, but also to ensure that the technical assistance contractors will be working with people over the next three years who have a high probability of remaining within the formal government structure when the program is completed. Because local development is such an important component in Egypt's development strategy, it is recommended that an Authority of Local

Development be established and headed by a Deputy Minister. A discussion of the factors that prompted this recommendation are presented in the following discussions.

Possible Options for the Management and Structural Problems of LD II

1. **Policy Dialogue Level:** The LD II Program, signed by the GOE and USAID, called for an institution capable of reviewing policy constraints to administrative and financial decentralization, considering policy and regulatory changes, and recommending appropriate decrees to implement needed reform. Such an institution only becomes relevant to the extent that the GOE perceives the need for such a formal structure to perform this policy dialogue function and acts to operationalize the process. There are three ways by which such a process could be activated:
 - a. **Utilize an already existing committee - The High Committee of Policies:** The ILDC organized under the LD II Agreement has not met primarily because of the way in which it was organized. It is recommended that the present GOE Higher Committee for Policies presently organized within the GOE Cabinet be authorized to perform the functions of the ILDC conceived in the LD II Agreement. The Higher Committee for Policies presently meets twice a month to discuss various policy questions, consider policy options, suggest policy changes, and recommends the necessary decrees. This recommendation places the necessary activities of policy dialogue within a presently functioning GOE organization. It is anticipated that the Higher Committee For Policies would designate at least two of its meetings each year to cover local development issues - one to make planning and budgeting decisions and another meeting to assess program progress and evaluation. Appropriate Ministers and several senior governors would be invited to attend these two sessions. Unless the ILDC is reactivated, the Higher Committee of Policies would be an appropriate mechanism to perform the above mentioned functions.
 - b. **Reactivate the ILDC to function as described in the LD II Agreement:** Since the present LD II structure is not clearly organized to conduct meaningful policy dialogue on the issues and constraints to increased administrative and financial decentralization, it is recommended that the Interministerial Local Development Committee (ILDC) be reactivated through agreement by the USAID Director and the GOE Prime Minister, as Minister of Local Administration, indicating that the committee will meet at agreed upon times. Under the chairmanship of the Prime Minister, membership would preferably include: Minister of Planning, Minister of Finance, Minister of International Cooperation, Minister of Local Administration, Minister of Social Affairs, and at least seven senior governors representing various geographical areas of Egypt.
 - c. **Informalize the Policy Dialogue Process:** Accept some lower organization or agency (ORDEV, General Amana, or Technical Amana) to initiate a process of policy research and analysis, generating policy reform papers and recommendations to be presented to the cabinet at such times when policy questions are perceived to be important enough to warrant serious discussion.

The joint U.S.-Egyptian assessment team recognizes that no serious dialogue can, nor should, be forced upon the GOE. It recommends that officials in USAID and the GOE (preferably at the Cabinet level) meet to discuss this question and determine which of these approaches is most appropriate.

2. **Program Management:** The ILDC has only met once since the beginning of the LD II Program, with no clear lines of authority outlined in the eventuality that the ILDC did not meet. The question of LD II management and coordination was left (at

least in the terms of the Agreement) very unclear. Three different interpretations as to how the LD II Program should be managed can be presented:

- a. The Technical Amana has, almost by default, assumed a leadership role in the management and direction of LD II. The legality of this responsibility is not clear, since the Technical Amana is primarily a creature of the LD II Agreement.
- b. The General Amana of the MLA has recently questioned the authority of the LD II Technical Amana, insisting that all management responsibilities of LD II should be vested in a formal structure of the MLA.
- c. ORDEV, an organization established in 1974, to coordinate and support local development activities in the rural areas of Egypt was the formal implementation agency of the BVS Program (1981-1986) and in fact was, by implication, to have been the "official implementing agency for the LD II Agreement for Provincial Governorates." (See Annex E-6.)

A series of organizational charts reflecting different structural options are presented in Annex E-3 through E-5.

The confusion and conflicting claims make the management of the LD II Program difficult, but not impossible. Since 1986/87 some 13,000 local projects have been implemented throughout the urban and rural districts of Egypt. Under the three above-mentioned organizations (each which could claim some management authority) are the two committees (The Urban Local Development Committee and the Provincial Local Development Committee) through which some \$214 million in Block Grants have been disbursed to the governorates of Egypt. The program management problem mentioned above has not been an obstacle to timely and appropriate disbursement of investment Block Grant funds.

What, then, is the Program Management Issue? First, a great deal of GOE, USAID, and contractor time and effort is wasted in seeking clarification of who is responsible for what, developing appropriate working relationships with competing organizations, and in seeking to support the GOE's efforts to define and implement a unified approach to local development.

Second, the process of local development is an integral part of Egypt's broader efforts to modernize and develop, and is far too important to be left to various competing groups too often seeking their own organizational interests. What is needed is a single organization, dedicated to greater decentralization and local development; and willing to support and encourage a variety of new approaches to O&M and LRM.

Third, the TA contractors presently working in the LD II Program need a more permanent institutional framework through which their training and technical assistance activities can be institutionalized, and thus made more long-term in their impact.

Fourth, one of the main disadvantages of the present system is the lack of a formal structure and budget that ensures some long-term viability. What is needed is a permanent structure where the activities of Local Development can be supported and encouraged in a consistent, straightforward way.

Strongly Recommend a General Authority of Local Development Be Established. The joint U.S.-Egyptian team is firm in its belief that the time is right to establish a separate and new General Authority for Local Development within the MLA, headed by a Deputy Minister who is committed to local development and greater decentralization. Being a "General Authority" gives it the legitimacy, authority, and flexibility in program implementation not generally available to regular government departments. It creates a home, where staff with appropriate talents, skills, and commitments can be housed, a single entity through which USAID can coordinate and support local development. Most importantly, it creates a full-time agency specifically charged with the responsibility of encouraging and strengthening local resource mobilization, urban and provincial block grant programs, and creating more sustainable O&M programs, etc.

What would be the Role of ORDEV in this New General Authority? It is apparent that many of the objectives of LD II will not be implemented unless such a permanent organization is established soon. Although not specifically defined in the LD II Agreement, ORDEV, nevertheless, has always been a crucial part of the provincial component of LD II. With its representatives functioning in the provincial governorates, a major part of the coordinating and implementing functions of LD II have been supported by ORDEV. In establishing a General Authority for Local Development (GALD), we are in no way seeking to down play or deprecate the significant contribution of ORDEV or to imply that ORDEV is no longer needed. In fact, it is the very success of ORDEV during the past 15 years, that has motivated the Joint U.S.-Egyptian Team to recommend that GALD be established. Part of the logic for the establishment of this "General Authority" rests on the observation that long-term local development requires that considerable emphasis must be given at both the urban and provincial district (markaz and hay) levels and below. Such an emphasis recognizes that the key to local development throughout Egypt lies in the effectiveness and capacity of local councils (Popular and Executive) to assess needs, plan and define needed projects (both service and economic), implement and encourage such projects, and finally mobilize local resources to help sustain these projects over time.

In order for this broader emphasis to be implemented in both urban and rural districts, it is strongly encouraged that the present structure and functions of ORDEV be expanded in the form of a General Authority for Local Development (GALD) in order to ensure that the important tasks of local development will be coordinated and reinforced through the local councils of Egypt's local administrative system.

Another important observation upon which the "General Authority" approach is based is the importance given to LRM in the original LD II Agreement. Sustained local development requires that local councils develop their capacities to strengthen local revenues, encourage popular fund raising, and stimulate local public/private economic activities. A General Authority is recognized in Egyptian administration as an appropriate structural mechanism to facilitate and encourage these kinds of LRM activities. Given the GOE's present efforts to increase government efficiency and reduce budgetary deficits, it should be clear how such a General Authority for Local Development would be invaluable in developing greater local initiatives and resources to help stretch GOE's present scarce resources.

The assessment team seriously considered the advantages and disadvantages of several options before selecting a "General Authority" approach as the best. A brief summary of the advantages and disadvantages of the other options suggested by the people interviewed is presented below:

- a. **Keep the Technical Amana:** The main advantage would be the continuity of administration established over the past two to three years. The Prime Minister would be requested to clarify and specify the status and functions of the LD

II Technical Amana. The key disadvantage is the fact that its legality has been challenged and that it tends to function almost on an ad hoc basis, with no clearly defined staff or budget.

- b. Use the MLA General Amana: The major advantage usually given to this approach is that the activities of the LD II Program could easily be incorporated into an already existing MLA structure. A strong disadvantage is the fact that the general Amana has significant responsibilities and already a heavy burden in the areas of routine administration, personnel, budgeting and finance, and follow-up. Many individuals at both the national level and within the governorates expressed their concern that the goal of "Local Development" is so important that it would clearly be more appropriate to establish a separate "General Authority" (al-Haya al-'Ama) specifically responsible to accelerate and encourage local development activities throughout the governorates.
- c. Use ORDEV as the implementing agency: A major advantage is the experience this agency already has had in working with both the BVS and LD II Programs. Most governorates already have an "ORDEV" person responsible for local development and they often act as rapporteurs in the GLDCs. The only disadvantage mentioned is that their scope of work tends to focus on the rural areas (not a disadvantage to the provincial governorates). Some have even argued that with minor expansion of functions and orientation, ORDEV could coordinate development activities in urban districts as well as the provincial districts with very little additional effort - especially during the transition period - until a permanent General Authority for Local Development would be established. For a more detailed description of how this General Authority would be structured, time schedule to be followed in its establishment and specific functions and roles to be performed, see Annex E-7.

3. Governorate-level Management Systems

One very positive aspect of the management structure and organizational system of the LD II Program is the creation and strengthening of the Governorate Local Development Committees (GLDC) in each governorate. It is recommended that the executive and popular council members participating in each GLDC receive continued TA training to ensure that the planning and implementation skills of this level of government be strengthened during the last three years of the LD II Program. From a long-term local council- capacity building point of view, the TA contractors should emphasize training and support at the governorate and district levels, more than at the central ministry level.

B. INSTITUTION BUILDING AND PROJECT QUALITY

Discussion:

The assessment scope of work requested that the team determine the extent to which the Block Grant Systems components allow for institution building and project quality. Unlike the other four components of the assessment scope, this question requires the team to make early judgments regarding local project impacts for which there are few benchmarks against which to measure progress. Although there are many reports and statistical tables providing financial information and a listing of projects completed, still there is very little information, case studies, or other empirical data relating to institution building or quality issues. We have, however, reviewed each of these program areas and attempted to make reasonable judgments on the basis of the information that was available.

Findings:

Local Council Capability Building:

1. Many officials, especially at the governorate level, requested that the assessment team emphasize that the main purpose of the LD II Program is to strengthen the capacity of local councils at the village and district levels to plan and implement projects which improve the quality of life in these areas. The overwhelming observations were that the councils do have more capacity, have made considerable progress in their ability to assess needs, plan and design projects, implement and perform O&M. While the hundreds of projects implemented in these areas may not always reflect high quality engineering standards, they must still be seen as part of an important process that has increased the ability of these local councils to assess their own needs in a more systematic way, to reflect on alternative options available to resolve their problems in ways other than simply waiting for the central government, and that this infusion of funds through the investment block grant component of LD II has had a positive and dramatic impact on the way that these councils see themselves and the way in which they interact with government officials. The seeds of pluralism are clearly being planted through the processes of LD II. The management system which has monitored and strengthened this process at the governorate level has become much more sensitive to the needs of the local areas, and much of this increased awareness and capability at the governorate level to work with these councils must be attributed to the work of Urban and Provisional technical assistance contractor staff and the representatives of ORDEV working at the provincial governorate level. (For a recent preliminary study on the effectiveness of these local councils see Annex I.)

2. Nearly all governorate level officials visited in the eight governorates acknowledged that the Governorate Local Development Committees (GLDCs) were functioning in a very responsible way now, after several years experience. These committees at the governorate level provide governors with the opportunity to coordinate the views and ideas of their sectoral support staff with representatives from the Governorate Popular Council. The functioning of these committees is a significant example of local capacity building in which governorate level people are able to review project proposals from the towns and villages of their governorates, and provide some technical support and project coordination that did not exist before. These governorate level officials also acknowledged that the technical assistance contractors working in their governorates have played a positive role in helping the GLDCs to institutionalize these planning and review functions.

Training:

1. The program's existing training components, TA provided training and training block grants (TBGs), have the potential for making a significant impact on both institution building and local project quality. Unfortunately, both of these training programs have been seriously delayed in getting underway. In the case of the TA contractors, their contracts were not executed until early 1988, nearly two and one-half years after the project agreement was executed. Training under prior on-going BVS and NUS projects and DSF, however, was able to fill part of the gap. As a result, no major training activities were undertaken under the program until late 1988; with approximately 80 percent of all training to date occurring during the last nine months. Due to the recent nature of the training it would be difficult to assess its effectiveness, even if measurable benchmarks had been established.

2. The training being provided by TA contractors and governorate staff generally consists of (1) annual orientations for local and popular councils at all levels of local government, (2) technical training to increase specific knowledge and skills, and (3) advanced seminars for senior management staff and decision makers. The orientation training also includes a training of trainers component to assure that this function can be continued after the TA training has been phased out. As of September, 1989 the following training had been undertaken by the urban and provincial TA contractors:

<u>Type of Training</u>	<u># Courses</u>	<u># Participants</u>
Technical Training	265	3,500
Advanced Seminars	12	455
TOT for Orientation	34	3,126
Orientation	461	24,523

3. The Training Block Grant (TBG) program, just now getting underway, is initially providing governorates with annual grants of L.E. 100,000 in the beginning phase, eventually to be increased, to undertake priority training that has been identified and planned at the local level. It includes a planning process in which local government departments prepare an annual training plan in order to qualify for support under this program. Although initially planned for implementation in 1987, this activity did not get underway until 1989 as a result of jurisdictional conflicts between the LD II Technical Amana and the MLA General Amana. As of September 30, 1989 only nine governorates had completed the first annual planning cycle and received the annual training grants. The MLA and USAID have given this pilot activity a high priority. An assessment of the first cycle will provide guidance for the next two cycles under the Program.

Basic Services Delivery System (BSDS)

1. Over the past three years of the LD II Program, most funds have been allocated essentially on the basis of population, with the provincial areas receiving a somewhat disproportionate share of the total funds available. While such an allocation does have some political advantages and probably reflects a desire to reduce conflict among the governorates, there are some clear disadvantages to the present formula both for the GOE and USAID.

2. Under the present system all governorates are essentially treated the same regardless of differences in their levels of social and economic development and regardless of whether a particular governorate is sincerely trying to achieve the goals of the LD II Program. Even a cursory review of the past two years makes it clear that some governorates are more committed to the objectives of LD II than are others. Unfortunately, such an equal allocation sends the wrong signal to the governors suggesting that progress in achieving the objective of the LD II Program is not a precondition for their allocation. Governorates already have to meet specific prior years implementation targets to be eligible for additional funding.

3. The existing LD II MIS is not being used extensively at the local level for decision making, planning or implementation; nor does it appear that it was originally designed for this purpose. Instead, it is basically a monitoring tool being used to provide financial information and other data to the central GOE levels and USAID.

4. The issue of project quality, including design, construction and inspection was examined with respect to the pilot wastewater treatment plants being built in Damietta. (See Annex J for detailed trip report.) A review of project documentation, including feasibility studies, terms of reference, design criteria, general specifications, bidding documents and completed turnkey-type contracts, pertaining to plant design and construction, indicated that the procedures being used are appropriate and in general conformance with accepted engineering practices. Project construction being accomplished under the current tendering procedures, with few exceptions, appears to be in conformance with contract plans and specifications. Construction inspection does not appear to be as rigorous as required, being hampered by relatively inexperienced personnel and their lack of mobility in the field.

Private Voluntary Organizations (PVOs)

1. There are some 12,000 PVOs presently eligible under MSA/USAID guidelines to participate in the PVO grant program. In 1987/88 some 3,718 PVOs received MSA grant funds totalling LE 15 million. Far more impressive is the fact that these PVOs collected an additional LE 17 million through popular contributions.

2. There is a great deal of enthusiasm in the MSA about the potential of these PVOs to develop and implement projects and then sustain them over time.

3. According to MSA reports (see Annex B-8), total PVO income generated in 1987/88 exceeded LE 71 million. Since expenses for these projects were less than LE 55 million, nearly LE 16 million in surplus revenue was generated.

Conclusions

Local Council Capacity Building

1. A careful review of the interview statements concerning local council capacity building leads to one conclusion: the councils existing today are better able to function as responsible decision-making bodies than they were before the BVS/NUS projects and LD II Program were implemented. While such improvements in capacity may be difficult to empirically document, the overwhelming response indicates that people feel that local councils are functioning at a substantially higher level of effectiveness now because they have some capital investment resources that make their deliberations meaningful and relevant to the needs and concerns of their communities. One empirical indicator of growing local council effectiveness is the increased level of local community fund raising activities largely stimulated and encouraged through local council leadership. (See Annex B, Tables 4 and 5.)

2. Several governors, secretary generals, ORDEV officials and field staff of the TA contractors were asked to hazard a guess as to what percentage of the village local councils were superior, average, and poor in terms of their ability to plan and implement projects. First, all admitted there were large differences between the best and worse councils, that a key factor was the quality of leadership in the village and their understanding of the LD II grant system, and probably only two in ten would function in a superior way, three in ten would function rather poorly and the rest were probably average. They all acknowledged that additional training and orientation was crucial in this process of capacity building.

Training

1. Given the extremely short time period that training activities have been underway, it is difficult to effectively measure the impact of training; even if appropriate benchmarks had been established. Significant amounts of training are presently being conducted. The future impact of such training must be assessed at the end of the LD II Program.
2. Although the TBG program has just begun, there is at least one instance already where a proposed training program appears to duplicate one currently being undertaken by one of the TA contractors. As TBG training capacity is developed, TA contractor training will be phased out in this area.
3. There is no clear, agreed strategy as to how follow-on technical training can be carried on after the phase-out of technical assistance. There appears to an agreement in principle that this function should be partially performed by the Sakkara Training Center when it becomes fully operational. Many individuals interviewed acknowledge that the Sakkara Training Center has great potential in strengthening local development programs and should be fully staffed and budgeted under GOE guidelines as soon as possible. The GOE has requested a two-year TA Team to help develop this center's operations and core training program. Sakkara has a unique opportunity to provide local council capacity building training in needs assessment, planning and designing projects, monitoring and implementation, LRM, and O&M activities. No other training institute in Egypt has this specialized potential to help institutionalize the process of Local Development.

Other General Conclusions

1. The present block grant allocation system does not appear fully appropriate for a program whose goal is focused on a specific target group, i.e. "low-income residents in rural and urban Egypt." Criteria based more on need and performance capacity would appear to be much more appropriate. (See Annex B-3.)
2. The OMEDs, currently being introduced into the urban program, show more promise as an effective planning and decision making tool than do the current MIS programs. However, to achieve their full potential in this area they will need to be closely linked to and integrated with the existing MIS programs. An integration of these two systems will greatly facilitate the efforts to monitor the LRM process and cost recovery.
3. The procedures currently being used in the pilot wastewater treatment plant program in Damietta are adequate to establish acceptable design criteria and to effectively tender for turnkey type (design-construct) contracts. In Egyptian practice, most construction companies, working under turnkey type contracts, subcontract the design components to private engineering firms, thus assuring the application of professional standards to this work. The construction quality observed in the field, in most cases, is adequate to ensure that completed facilities will function as designed. More rigorous and effective inspection efforts would help prevent deficiencies in construction techniques which subsequently require corrective measures. These inspection efforts of governorate-based personnel could be upgraded to fully acceptable levels by the provision of additional on-site training and by the availability of transportation.
4. The MSA's efforts to stimulate PVO activity should be encouraged as an appropriate way to strengthen local popular participation. Such popularly organized activities represent a significant way in which greater pluralism and individual initiative are being strengthened in Egypt.

Recommendations:

Local Council Capacity Building:

1. It is strongly recommended that both GOE and USAID officials reaffirm that the LD II Program was originally conceptualized to build upon the BVS/NUS experience, that the key focus was to be at the local council level, that all other supporting activities (at the central government level) were to complement and support local council development, not the other way around. More thought needs to be given to ways in which central government agencies/programs and TA contractors can best support this purpose.
2. Evidence suggests that the governors and secretary generals are key actors in this process and that much more effort is needed in orienting and strengthening governorate level staff to understand the objectives of LD II and their role and accountability in the local development of Egypt. On-site team training of such officials in the objectives and strategies of LD II must be an important part of the training efforts over the next three years.
3. Strategic planning workshops should be conducted at the Governorate Local Development Committee level, at least two/three times each year to help orient governors and their staff on how they can best become more development oriented in the way that they plan and implement programs and projects within their governorates. (See Annex H-1 for a review of the types of material and orientations that might be presented in these types of workshops.)
4. Technical assistance contractors should continue to emphasize training at the local council level (Executive and Popular). Such training should continue to help orient and develop the members of these local councils to assess needs, plan and design better projects, implement and monitor these projects, and finally to operate and maintain the projects successfully. Specific training should be organized and implemented in the areas of Local Resource Mobilization and O&M activities.
5. It is recommended that a series of case studies be conducted to more fully document in an empirical way the reasons why some local councils have been more effective than others and to determine what governorate level staff could do to strengthen the capacity of local councils to plan and design projects and then operate and maintain them in a sustainable way. (See the Pre-Assessment Study by James B. Mayfield, "The Strategic Assessment of the Policy Environment For Decentralization Reform in Egypt." Appendix D - "A Framework For the Analysis of Popular Council Effectiveness.")

Training:

1. The scope of work for the TA contracts and/or annual work plans should be amended to require the development of an explicit program to evaluate the effectiveness of their training programs. At a minimum, this should establish (1) indicators of effectiveness, (2) a system by which they can be monitored and measured, and (3) a procedure by which their findings can be transmitted and reviewed by USAID and the GOE.
2. A review system should be established to assure that as block grant training capacity is developed by governorates that TA contractor training will be phased out. TA Contractors can help train trainers and provide specialized technical training. These two programs should complement each other, not compete.

3. USAID should proceed with TA services to assist the GOE design the operations and core curriculum of the Sakkara Training Center and confirm timely and long-term staffing and budget support.

Other General Recommendations:

1. It is recommended that the following criteria be considered in establishing how various governorate allocations could be determined. For example:

a. Forty percent of all allocations could be divided on the basis of population structured among the Provincial and Urban Governorates as presently established under LD II guidelines.

b. Thirty percent of all allocations could be set aside to provide supplemental funding for the most disadvantaged areas of Egypt in terms of poverty, illiteracy, infant mortality rates, and general low standard of living.

c. Thirty percent of all allocations would be set aside to provide supplemental funding for those governorates who were able to meet some specific performance criteria, e.g., (1) Ability to increase local contributions to the Governorate Services and Development Fund by a certain percentage during the previous year; (2) Provide management and planning training to a certain percentage of all popular council members to increase their effectiveness in participating in the needs assessment and project design and implementation; (3) Holding a governorate-wide Economic Enhancement Conference in which at least 100 local entrepreneurs attended; (4) Upgrade village-level O&M centers and their staffing and management; (5) Hold at least five meetings with local banks within the governorate to discuss ways to stimulate small scale enterprises and various employment enhancement programs to be implemented at the district and village level; and (6) Prepare a set of budgetary analysis reports utilizing an OMED system and then share these reports with members of the Governorate Popular Council.

If the long-term goals of the LD II Program are to be accomplished, some effort will be needed to monitor and provide additional incentives for those governorates willing to actively pursue the LD II Program agenda.

2. The processes and procedures being utilized for the establishment of design criteria and the tendering of construction contracts for pilot wastewater treatment plants in Damietta should be adopted as models for replication throughout the LD II program, wherever appropriate. This requirement should be delineated in project implementation letters and supported by TA contractor-provided guidelines and training as necessary. The inspection of construction efforts of governorate-based personnel should be enhanced by the provision of hands-on, field-based training in inspection duties to upgrade their skill levels. The effective performance of inspection activities requires that engineers and technicians be present at field sites wherever and whenever critical construction operations are underway. It is recommended that sufficient numbers of appropriate vehicles be provided for this purpose and assigned to inspection units.

3. It is recommended that the PVO program be expanded especially into areas where incomes generated are covering operation and maintenance costs and establishing sustainable economic and employment enhancing activities.

C. OPERATION AND MAINTENANCE (O&M)

Discussion:

The assessment requested that the team determine the degree to which the LD II program was strengthening the O&M capabilities at all levels of local government. Subjects to be specifically addressed included (1) the level of governorate/markaz capacity to plan, supervise and implement O&M activities at the village/urban district level, and (2) the degree to which O&M activities support long-term project sustainability. On the basis of visits to a representative number of O&M facilities, a review of their records, and discussions with concerned personnel, it was the team's considered judgement that present levels of local government operations are best described as marginally satisfactory. Unfortunately, there was a general lack of verifiable data, reporting systems or commonly agreed O&M standards that would permit an empirical verification of these general observations and subsequent conclusions. For the most part, the O&M deficiencies observed and enumerated below have already been identified as problem areas by LD II personnel and corrective actions are already being planned or undertaken.

Findings:

1. The Maintenance Coordinators interviewed during our visits to the governorates reported that they lacked the authority to accomplish the operational coordination between the O&M units of the various departments, i.e., Housing, Roads and the governorate maintenance center. They also stated that their assignment as Maintenance Coordinator, which seconded them from their parent organization, effectively severed them from opportunities for promotion.
2. The level and pattern of staffing of the various O&M facilities does not appear, in many instances, to be based on the expected workload as dictated by plant and equipment fleet size and operational responsibilities. While the overall staffing level in most units appears inadequate, a few appear to have excessive personnel. Persistent shortages of some critical skills, particularly trained mechanics, is almost universally reported.
3. Most O&M facilities appeared to have been adequately provided with the required shop equipment, but were generally deficient in basic hand tools and lubricating equipment. The sets of hand tools observed usually were missing many items essential for proper repair and servicing. Such basic tools as socket wrenches, for example, were seldom observed.
4. In general, most facilities were able to produce some records indicating that fixed plant and mobile equipment were receiving maintenance on a regularly planned basis. There were, however, several instances when it was difficult to differentiate between what was planned vs. what was actually being performed. Also, many markaz and village-level facilities either did not have or were not utilizing maintenance system materials (forms, guidelines and manuals) developed by the TA contractors.
5. Spare parts warehousing and related recordkeeping activities were being carried out in an orderly manner at most locations, even though the planned cardex file systems had not been fully installed. Records were randomly checked against inventories, and were generally found to accurately reflect the location and level of parts on hand. However, the system is not being used effectively to manage spare parts procurement. Noted deficiencies included:

- The tendency to delay reordering until stocks have been exhausted or reached minimum level;
 - The quantities ordered are relatively small, not consolidated with other markaz or village units, and usually only sufficient to bring the stocks of parts up to a minimum level;
 - The lead-time for delivery is not being considered when reordering decisions are made;
 - The cost of spares procured in Egypt through dealers or their authorized representatives is viewed as being inordinately high. Given the scarcity of resources at the governorate level, there is a tendency to postpone ordering spare parts.
6. Village and markaz maintenance facilities vary widely in design and layout, but are generally appropriate for their intended use. A notable exception is the governorate's central shop in Damietta where the shop yard is not paved and the repair bays are open, thus subjecting any major repair work to dust and sand. The quality of repairs performed under such conditions is questionable.
7. There are insufficient records and data to establish any definitive relationship between actual O&M funding requirements and the level and distribution of O&M funding currently being provided. TA contractor reports indicate that local government units are now routinely planning and requesting O&M budget on a needs/experience basis, but other data suggest that actual O&M funding and distribution criteria are based more upon an arithmetic formula developed during program design (Page 26, PP) and not subsequently updated.
8. In prior years, the total level of GOE O&M support for the program appears to have been approximately 20 percent less than planned in the original program design. However, in the current year (1989/90), funds allotted for O&M are approximately 31 percent higher than would have been derived from the use of the historical criteria. (See Annex B-7.) This may be indicative that actual need and experience factors are now being considered.
9. GOE O&M funding support for the program is being provided from Egyptian-owned local currency generated by U.S.-financed import programs, rather than from the Bab II recurrent cost budget as anticipated in the PP (Page 26). Also, there are no indications that locally generated funds are being gradually used to replace centrally provided funding as outlined in the same section of the PP. There are also indications that O&M funds provided by the central government are not being fully disbursed down to the markaz and village levels as anticipated in the program design (see page xi, PP), but being held at the governorate level in a special account, i.e. they never become part of the local government budget. We were not able to verify this situation as it would require an audit to fully clarify this issue.
10. There are no indications of serious discussions taking place about long-term sustainability of O&M requirements beyond the life of the LD II Program. GOE and USAID officials have not squarely faced the issue that, given the present GOE deficit, it is highly unlikely that central government funds will be allocated at a level needed to sustain a long-term O&M program. It may be quite short-sighted to assume that adequate funding for effective O&M will be available from the central government. In spite of several formal requests, USAID has been unable to obtain detailed information on the use and expenditure of GOE-provided O&M funding. Both a proposed PP covenant and the executed Grant Agreement provided for bi-annual reviews on this

subject, but it does not appear that alternative monitoring procedures have been developed and utilized.

11. Several pilot O&M activities are planned or being undertaken by the TA contractors and governorates to improve the overall quality of O&M performance. Funds provided under a special pilot project are being utilized to establish four regional maintenance centers that could be privately managed and provide services for both the public and private sectors. Revenues generated by the centers themselves could be utilized to partially defer the operational costs of such governorate level centers, and could provide the flexibility of establishing wage scales outside of the government system.

A second pilot O&M activity is being undertaken by the provincial TA contractor in one markaz in each of two selected provinces (Gharbia and Minya). This approach involves a more intensive, "hands-on" system of O&M training than presently being employed throughout the rest of the governorates. If successful, staff trained in the pilot markaz will be used to replicate the system throughout the remainder of the pilot governorates and would gradually be replicated throughout other governorates.

Conclusions:

1. The Maintenance Coordinators in the governorates presently lack the authority to perform their role as envisioned. Some are less than enthusiastic about their assignment because they perceive that it removes them from advancement opportunities within their parent organization, i.e., Roads, Housing, etc. Both of these factors work against the accomplishment of the position's objectives.

2. The overall quality of O&M performance will not improve significantly until specific actions are undertaken to:

- Develop a personnel staffing system that is closely related to the tasks to be performed, with a compensation system sufficient to retain qualified and trained staff;
- Provide sufficient hand tools and lubricating equipment;
- Establish and maintain a systems of records that will clearly reflect the planned and actual O&M being performed; and
- Fully utilize existing O&M manuals, guidelines and reporting forms.

3. The lack of an effective spare parts procurement system is significantly reducing the effective utilization of sizeable investments in capital equipment. An improved system should result in much lower equipment deadline rates and reduce the cost of individual parts to the government maintenance facilities.

4. There is a general lack of understanding of exactly how local government O&M requirements are being factored into overall O&M budget levels and in their distribution criteria. Lacking a clear understanding of this process, it is impossible to determine the adequacy of the system being utilized.

5. Local government O&M requirements are not being built into the regular Bab II recurrent cost budget, nor is there any discernible effort being undertaken to shift the O&M burden from the central government to local sources of funding. Instead, these costs are being financed with funds of a temporary nature. From a public budgeting standpoint, this is at best a risk laden approach.

6. USAID and MLA oversight of GOE O&M expenditures under the program is not yet being carried out to the degree that prudent management practices normally require.

7. Both of the pilot O&M activities being undertaken have important features that could substantially improve the overall level of O&M performance. The private management aspects of the EduSystem's program, involving governorate-level pilot centers, also has important financial and revenue implications for the GOE if successfully implemented and operated as planned. We have learned from several sources, however, that the legality of this approach is being questioned by some parties within the GOE and that this issue remains unresolved.

The pilot program being undertaken by the provincial TA contractor in two markaz appears to be one that could be replicated quickly with a moderate level of resources if it proves successful. These resources can be drawn by local governments from investment block grants.

Recommendations:

1. The Fourth O&M Seminar for Secretaries-General, held in March 1989, proposed that an O&M Committee be established in each governorate to support the functions of the Maintenance Coordinator. We endorse this proposal and recommend the early establishment of such a committee, chaired by the Secretary-General in each governorate, which would include representatives from the governorate's Housing and Roads departments. Functioning of this committee would permit the vetting of O&M concerns before top governorate administration and would help in obtaining improved coordination. Consideration should be given to permitting the engineer who assumes the Maintenance Coordinator role to retain his regular position in his parent organization while performing the role of Coordinator.

2. We recommend that the MIS be expanded to include financial and performance information relative to O&M activities to help ensure that the status of these activities is brought to the attention of governorate management in a timely manner. This information, a prerequisite for O&M monitoring, will be an output of the preventive maintenance system's reporting component.

3. USAID and its TA contractors should identify critical O&M skill deficiencies and initiate the necessary on-the-job training programs together with appropriate monitoring and subsequent evaluation of the degree of acceptance, increased competence and effective utilization. The GOE should review the existing system of remuneration for critical skills with an end objective of developing a system that will retain trained staff. Good examples worthy of study in this respect are the establishment of local public companies for O&M in Damietta and Behera and the regulations for the operation of maintenance workshops at the village level as economic entities in Fayoum.

4. The TA contractors should initiate an immediate review of the availability and adequacy of mechanics hand tools at field maintenance units at all levels. Where shortages exist, priority should be given to (1) the procurement of needed tools from annual block grant funds, and (2) the establishment of a system to prevent losses.

5. The TA contractors should investigate the availability and utilization of O&M system manuals, guidelines, forms, etc., evaluate their comprehension and proper usage, and clarify implementation responsibilities at all levels as needed. Follow-up training should be provided to demonstrate preventive maintenance scheduling techniques and their monitoring, and the use of O&M records to identify and classify related problems and to determine common causes and remedial actions.

6. We recommend that a joint US-GOE working group be established to address, in a comprehensive manner, the spare parts supply and procurement problem with the objective of developing a system capable of providing local government maintenance units with quality spares at economical costs in a timely manner. Issues and options to be addressed include:

- Full implementation and utilization of the Cardex control system with the establishment of maximum and minimum stockage levels and appropriate re-order points.
- Determination of the most appropriate and economically sound methods of procurement and sources of supply of spare parts, e.g., from local dealers' shelves, off-shore through dealers, direct from manufacturers, utilizing available local currency and U.S. dollars.
- Functioning of the Procurement Office of the ILDC Committee for Planning relative to the consolidation of spare parts requirements throughout the program for the purposes of economic procurements and subsequent proper distribution.
- Utilization of authorized equipment dealers for the inspection of deadlined vehicles and equipment, identification of needed parts, supply of such parts, and requisite repair services.
- Establishment of criteria to determine the economically useful life of vehicles and equipment and the development of procedures to purge inventories of over-aged and non-repairable equipment items.
- Identification of presently unidentified spare parts reportedly stored in some governorates and the development of procedures for their distribution or disposal.

7. The TA contractor should review the conditions at the Damietta central shop and work with the governorate to design and implement actions to improve these facilities. Similar actions should be taken where these conditions exist at other sites.

8. The appropriate TA contractors should be requested to undertake a special study on the O&M budget process to determine the degree that the present allocation system is based on local planning priorities and need. The end objective would be an updated formula/system based on current operating data.

9. USAID should request that the GOE develop a plan for phasing the program's O&M requirement into the recurrent cost portion of the Bab II central government budget before the end of the program in 1992. The plan should also address the degree that local resources can be used to cover recurrent O&M expenses at the village/markaz and urban district levels.

10. The provincial TA contractor should develop and specify measurable indicators and criteria on which to judge the success of the pilot approaches being undertaken in their two intensified O&M programs in Minya and Gharbiya. At some pre-agreed time, a joint study should be undertaken to evaluate this pilot program and to recommend its replication if found successful and cost effective.

D. LOCAL RESOURCE MOBILIZATION

Discussion:

Local Resource Mobilization (LRM) was selected as one of two LD II Program purposes because of the importance which the ability to generate resources plays in determining the ability of local governments to select and sustain local projects which are intended to enhance the quality of life and economic development. Because of other demands on the central government budget and the attempt to control the budget deficit, it is impossible to assure sustained delivery of basic services to the local areas in the absence of a system that allows for the generation and retention of local resources. The achievement of the Program's objectives are highly conditioned upon the premise that local resources will be generated locally and retained at that level to fund the operation and maintenance of locally planned and implemented projects. This in turn requires a number of substantial GOE policy changes with regard to budgeting, resource control and the setting of prices for the delivery of basic services.

Findings:

1. The vast majority of persons interviewed during the course of the assessment stated that it would be impossible to assure the adequate operation and maintenance of LD II local projects, such as water and wastewater, without some mechanism to generate additional local revenues and retain them for this purpose. The system cited as being most preferable was one that would allow the establishment of user fees, although several individuals acknowledged that some types of joint income-generating projects at the local council level might be an additional source of revenue.
2. The original program design established eight specific objectives to be achieved in the LRM component of the program. They included changes in three areas of policy, changes in three areas of administrative improvement, and two to enhance training in local resource management. In spite of the fact that nine draft research studies have been completed by DAC, several observational study tours undertaken, and that the LRM Subcommittee has met frequently, there is little evidence that meaningful financial decentralization has been achieved by these efforts. (See Annex D.)
3. Local Government Law #145 of 1988 casts a serious question as to whether the GOE plans to continue further decentralization of financial control and regulation, at least as far as they affect the Local Service and Development Fund (LSDF). This fund, created in 1975, allows local governments a mechanism for retaining and utilizing some resources outside the national budget. Although Law #145 permits local fees to be tripled in some instances, it requires that permission for such increases be approved by the Cabinet. It also requires all local budgets to be submitted to the Minister of Local Administration for review prior to their submission to the Ministry of Finance. These provisions are considered by some as at least a symbolic step backward from fiscal decentralization. Others argue that it strengthens the governorates *vis-a-vis* their negotiations with the MOF. Also, the fact that fees can now be tripled must be seen as at least a symbolic step forward for those wishing to strengthen local resource mobilization.
4. In spite of the above, there is some evidence that suggests that local revenues are slowly growing as an increased percent of the local government budget. In the five-year period between 1984/85 and 1989/90, Babs I and II in the local revenue budget increased from 22.7 percent of the total budget to 26.0 percent, an increase of 3.3 percent. Within Bab II (local fees) the increase has been somewhat larger, increasing

from 7.5 percent to 13.2 percent of the local budget. This represents an increase of 5.7 percent. Somewhat hopeful in the analysis of MOF final accounts was the fact that Bab II revenues had increased 93.2 percent, from LE 206,000 in 1984/85 to LE 398,000 in 1988/89. Unfortunately, much of this increase is due to inflation, for when one calculates that increase in 1984/85 Egyptian Pound terms, there is actually a 7.3 percent decrease in Bab II expenditures. Also, if you compare Bab II recurrent cost expenditure in 1984/85 Egyptian Pounds, there has actually been a 17.6 decrease in real revenue terms over the past five years. A recent review of GOE final accounts 1988/89 again documents that budgetary deficits have not been reduced. This confirms the challenge that the program faces if it assumes that central government resources will be able to cover O&M costs in the long-run. (See Appendix B, Tables 1 and 2.)

5. The LD II Program Agreement called for the formation of a senior level working group (LRM subcommittee) to meet on a regular basis to discuss LRM policy options and to commission studies to examine the various options identified. This group was viewed as the key to initiating needed policy changes in the area of LRM. In spite of many meetings over the past years of the LE II Program, this subcommittee has been unable to effect meaningful changes in the laws, rules, and regulations which might have stimulated appropriate financial decentralization.

6. The expectation that Private Voluntary Organizations (PVOs) could effectively mobilize local resources appears to be happening. An analysis of the PVO program during the first cycle indicates that LE 5.8 million were spent for PVO projects, of which 32.7 percent came from popular contributions. Their contribution was divided almost equally between cash and in-kind contributions, with the total cash contribution amounting to LE 1.9 million. (See Annex B, Table 8.)

7. There is also some evidence that the LSDF fund at the village level is capable of generating far more revenues for development activities than previously recognized. In one governorate, 38 villages raised a total of LE 1.84 million in 1987/88 for local projects. In another governorate, among the village records reviewed, local resource mobilization averaged over LE 100,000 per village, with approximately 70 percent of these funds coming from local fund raising activities. (See Annex, B., Tables 4 and 5.)

Conclusions:

1. The assessment team reviewed both the current LRM program as contained in the Grant Agreement and that proposed in the Fox/Kornher study of August 1989 (annex D). As such, this latter study does not propose any major changes in the existing approach, but expands and amplifies on how one addresses the major policy issues by proposing a series of pilot studies and applied research activities. It is our conclusion that the approach proposed in the original project design and in the proposed expansion are both valid and still needed. However, given the lack of LRM progress to date, we question whether all of these actions can be completed in the remaining three years of the project. Given this dilemma, we are recommending that the LRM program purpose statement be modified to focus primarily on capacity building during the remainder of the project. This action implies that a much heavier priority be given to training at the local level than has been the case in the past.

2. The LD II Program design, subsequently approved by the GOE, anticipated a continual movement toward greater decentralization through the devolution of more authority to local government. This included, *inter alia*, greater fiscal autonomy and control at the local level. The 1988 modifications to the Law of Local Administration, together with other trends, cast serious doubt as to whether greater devolution of authority is in fact current GOE policy. Yet, there are still individuals within the

GOE who remain convinced that this form of decentralization and devolution may yet occur, albeit more slowly than anticipated in the program design. It is important to distinguish between financial and administrative decentralization. While there has been little financial decentralization, a number of very important administrative and decision-making powers have been delegated to the governorate level in the past decade -- demonstrating a continued commitment to greater administrative decentralization. While the resources available to the governorates have been reduced, in real terms, today the governors have significantly more autonomy in how and where these funds are utilized.

3. The conceptual basis for the program anticipated that LRM was the most effective financial system for addressing local needs and that a devolved system of government would be the service delivery mechanism. Program implementation has not consistently supported these strategic approaches. For example, the LRM draft study reports were oriented more toward the enhancement of MOF capabilities, rather than assisting local governments generate greater resources. (See Appendix D.)

4. The major potential of LD II to the LRM process is to demonstrate that people will pay for the improved delivery of basic services. This means that there needs to be a closer linkage between any fees set and the services being delivered. The focus of LRM during the remainder of LD II should be on developing user fees (prices for services received) as the primary source of local resource generation. Some are arguing that since the new Law 145 (1988) does authorize the tripling of local fees, that this does represent at least an effort to strengthen local resource mobilization, and that local council members should be encouraged to make use of these new potential resources.

Recommendations:

1. Priority should be given to expediting the wide range of training proposed in the original program design for LRM. This training is badly needed in order to develop a trained cadre of personnel capable of conducting the research and analysis necessary for the effective implementation of LRM systems in support of sustainable local development.

2. Annual seminars and specific studies should be organized on a small set of devolution and LRM issues. These seminars should include participation of senior officials and the highest quality experts and should have a carefully developed agenda. Such topics could include: how LD II grants could be distributed to enhance LRM, how governmental budget procedures and guidelines could be structured to encourage LRM, and what specific strategies involving local councils, joint income generating activity, PVO's and other mobilizing mechanisms should be encouraged at the local levels. The studies should include possible alternative mechanisms to operate an O&M system in a more efficient manner including economic authorities, economic funds, private stock companies, public sector companies, and private sector operations. Also Law 145 (1988) needs to be studied to determine ways in which LRM flexibility to include more cost recovery at the local level could be included in the law.

3. Following the above studies, those systems that offer the most promise should be pilot tested in several governorates. The pilot testing should include alternative pricing mechanisms such as charging different prices for different levels and quality of service. The cost of delivering services should be measured carefully and the prices set for the pilots should reflect the cost of services delivered at that site. The goal should be to link the setting of prices to the capital and recurrent cost of service delivery.

4. The results of the pilot studies, legal research and pricing investigations should receive the widest possible dissemination among government policy makers and program implementors. This should be accomplished through a series of seminars, workshops, and

training programs that would include governors, secretary generals and financial directors where the findings would be presented for their review and comment. Subsequently, position papers would be prepared for presentation to policymakers such as the Ministers of Finance, Planning, and Local Administration, and legislators.

5. The development of governorate-level Offices of Management and Economic Development (OMED) should be given preference over village accounting units as a better means for establishing financial planning skills at the local level. The role of OMEDs should be extended to budget monitoring to ensure that funds generated through LRM activities are used effectively. It is also strongly recommended that the objectives, codes, and data base of the OMED and MIS systems be integrated to help facilitate LRM activities at the governorate level. Over the next three years, priority should be given to budgetary control to encourage planning and accountability; and also inventory and idle capacity control to strengthen governorate-level O&M systems.

6. At the highest levels possible (hopefully the Cabinet level), it is recommended that a decision would be made to modify the present GOE laws, regulations, and procedures to encourage and stimulate greater LRM at the local council level.

E. PROGRAM DESIGN ASSUMPTIONS

Discussion:

The assessment scope of work requested the team to review the basic underlying program design assumptions to determine their current validity, and determine if the program purposes were still appropriate. Our review indicates that several of the key assumptions may only be partially valid at this point in time or at least open to serious question. While both of the program purposes are still appropriate, there has been little actual progress to date toward the achievement of the LRM objective. Ironically, limited evidence presently available suggests that local village councils and PVOs have probably been far more successful in mobilizing their own local resources quite independent of central government activities. This may be an example of a program purpose being realized, not because of, but in spite of, the central governments' actions. Our findings, conclusions, and recommendations are discussed below.

Findings:

Assumption #1: The "GOE will continue to decentralize local government." This assumption appears open for argument. As discussed earlier, the impetus for financial decentralization appears to have slowed over the past two years. Administration decentralization has continued in many specific ways giving the governor far more control over local staff than he had in the past. Still, the various interpretations of Local Government Law #145 (1988) have thrown a cloud of uncertainty over the GOE's intentions in this area. (See Annex H, Table 1.)

Assumption #2: "Administrative and fiscal stability will continue in Egypt." The assumption regarding administrative stability remains valid, but the growing national budget deficit may limit the government's ability to provide the necessary resources at the local levels to assure the sustainability of program benefits. This strengthens the argument for LRM.

Assumption #3: There will be "continued delegation of authority to lower levels of local government." The existing level of delegation is generally adequate as it relates to improving and expanding the capacity of local government to plan and implement

locally chosen basic services projects. However, the same is not true with respect to the program purpose relating to local resource mobilization.

Assumption #4: The "GOE assigns staff necessary to implement the systems." The GOE has not assigned all the full time staff required for the Technical Amana and other support sub-committees. It is clear that a more formal structure should be established such as a "General Authority for Local Development" with its own table of organization and budget.

Assumption #5: "Local councils act upon authority given to them." Based on secondary data sources that we have reviewed, this generally appears to be the case (see Annex I). There is some question, however, as to whether local councils are fully exercising all of their powers to mobilize greater local resources.

Assumption #6: "Sufficient flexibility in the allocation and control of funds by governorate and local authorities will be permitted by AID and the GOE". This appears to be true as it relates to block grant funds provided under the program, but less true as it relates to locally generated revenues and fees.

Assumption #7: "USAID and GOE make funds available." This generally appears to be true with regards to block grant allocations, but clearly less true for recurrent cost allocations in Bab II. Even though GOE Bab II allocations for O&M in 1989/90 reached LE 41 million, there is still little evidence that such funding would cover the costs of all O&M needs.

Conclusions:

1. Overall, most major design assumptions remain generally valid as they relate to the Block Grant components of the BSDS. The only significant issue relates to the assignment of adequate numbers of full-time, trained staff (Assumption No. 4). Recommendations presented in Sections A and D of this Chapter address the need for the GOE to provide a full-time staff for policy analysis and to develop actions to retain staff in critical skill areas.
2. The assumptions relating to fiscal decentralization have not generally held true. As a result, there are serious concerns as to how local projects can be sustained and operated in an efficient manner. We have concluded that the lack of progress in this area is highly related to the lack of an existing GOE capacity to perform the necessary research and analysis needed to develop effective alternative approaches and solutions. Accordingly, we are recommending that the LRM program purpose be modified to focus priority attention and resources to develop this capacity at both the governorate and central-government level. Specific recommendations relating to capacity building are contained in Section D of this Chapter.
3. While not clearly related to program assumptions, *per se*, it has been noted by GOE officials and TA contractors that the LD II Program has a number of objectives which lead to differing priorities and allocation of time and resources. For example, some wish to emphasize local council capacity building, primarily at the district and village levels. This approach would emphasize training and technical support at the local level. Others appear more concerned with strengthening the capacity of various central level ministries and agencies with an emphasis on policy review, management information systems, and upper level training and support functions. While these competing agendas do not have to be mutually exclusive, the lack of a shared, negotiated agreement on clearly defined operational goals and objectives has made the monitoring, implementation, and evaluation processes of this program extremely difficult.

Recommendations:

1. We recommend that the project purpose relating to LRM be modified to read "To strengthen the capacity of both central and governorate-level staff to assist urban and provincial districts and village councils to mobilize local resources to support the sustained provision of basic resources."
2. Representatives of USAID and the GOE should convene a meeting to determine in clear, operational terms, actions to be taken to assure that appropriate resources (program inputs) are being provided in a manner that will encourage the attainment of all planned program objectives (outputs) by the end of the program in 1992.

ANNEX A
SCOPE OF WORK

ANNEX A

LOCAL DEVELOPMENT II PROGRAM
(263-0182)
MID-TERM ASSESSMENT SCOPE OF WORK

A. ACTIVITY TO BE EVALUATED

Project: Local Development II (263-0182)

PACD: September 30, 1992

Primary Contractors: Chemonics
Wilbur Smith Associates
DAC International
Edusystems

Period to be evaluated: 1985-1989

Project Purpose:

- (1) To improve and expand the capacity of local governments to plan, finance, implement and maintain locally chosen basic services projects; and
- (2) To improve the capacity of local government to mobilize local resources in order to sustain the provision of basic services.

B. PURPOSE OF THE ASSESSMENT

The LD II Midterm Assessment is in accordance with Article 5 of the LD II Program Grant Agreement signed jointly by USAID and the Government of Egypt on September 12, 1985 which specifies that the GOE and USAID will establish an "Evaluation Program". The assessment, along with the proposed "Final Impact Evaluation" scheduled for 1992, fulfill the intent of this covenant.

The primary purpose of the assessment is to identify implementation problems and constraints which are inhibiting attainment of LD II objectives and to recommend ways of overcoming the identified problems and constraints.

The assessment team will not evaluate the socioeconomic impact of the LD II Program or earlier local development projects as this aspect will be treated during a proposed "Local Development Sector Program Review" in early 1991 and during the final LD II Evaluation in mid 1992.

The main users of the assessment report will be GOE implementing entities, USAID and LD II contractors. The findings and recommendations will be used to increase program effectiveness, improve coordination between components and, as appropriate, to modify the organizational and management structure of LD II.

Pre-assessment studies are underway or have been completed and will be made available to the team. These include the LRM Assessment and Strategic Assessment of the Policy Environment for Decentralization Reform in Egypt.

C. BACKGROUND

USAID's support for the Government of Egypt's Local Development Program began as a series of discrete projects which were combined in 1982 into the Decentralization Sector Support Program (DSS I). LD II was initiated in September 1985 as the follow on to this earlier program.

The LD II Program was designed to bring together, under one umbrella, all of the components formerly grouped together under the DSS I Program. Under LD II, the GOE steering committees for the Basic Village Services (BVS) and Neighborhood Urban Services (NUS) projects were reconstituted as subcommittees under an Interministerial Local Development Committee (ILDC), chaired by the Minister of Local Administration and including representatives from the Ministries of Finance, Social Affairs, Planning, International Cooperation and other technical ministries such as Health, Education and Housing. The provincial and urban subcommittees became known, respectively, as the Provincial Local Development Committee (PLDC) and the Urban Local Development Committee (ULDC).

An ILDC secretariat was envisioned as being the GOE's institutional focal point for implementation of the new umbrella activity. This secretariat, known as the LD II Technical Amana, would monitor and participate directly in all aspects of program design, implementation and evaluation during the life of the program and beyond. Staff from each of the ministries represented on the ILDC would be seconded to the LD II Amana and work together as a unified team to ensure a coordinated and integrated (i.e. interministerial) approach to GOE implementation of its decentralization program.

The implementation strategy for LD II encourages decentralization of authority and responsibility for local development, building of democratic and popular participation, developing the capacity of local institutions, institutionalizing the operation and maintenance of basic services, and increasing local resource mobilization.

The two main components of LD II are the Basic Services Delivery System (BSDS) and Local Resource Mobilization (LRM). BSDS includes a matching block grant system for investments in basic services projects in the provincial and urban governorates, planning for operation and maintenance, a local government training program and the LD II management information system. BSDS projects are selected by local authorities.

The LRM component focuses on strategies to generate resources locally for capital and recurrent costs, such as increasing user fees at the local level, strengthening private sector PVOs through block grants and increasing access to credit in the rural areas.

Under DSS I, the GOE demonstrated that local governments (villages/markaz in provincial areas and districts in urban areas) were able to plan and implement projects with outside technical assistance. Under LD II, the contractors are to focus on strengthening the implementation capacity of counterpart agencies (local government units, ORDEV and the ULDC Secretariat).

Although the LD II program is accomplishing many of its stated objectives and outputs, it has encountered implementation problems and delays which can be categorized as follows:

- (1) Jurisdictional conflicts within the LD II Program management structure;
- (2) Inadequate operations and maintenance planning and implementation; and
- (3) Minimal progress on local resource mobilization.

Each of the following five areas of emphasis for the mid-term assessment flow from the need to re-examine inter-institutional linkages and processes outlined in the original design of the project.

D. STATEMENT OF WORK

The assessment will address the following, key questions:

1. How adequate and effective has the LD II Program's organizational and management structure been in supporting implementation at the governorate and national levels to achieve project goal and purpose by the PACD? What is the role of the various GOE implementing and support agencies? What are the primary problems and constraints within the existing structure? These questions address problem area one, jurisdictional conflicts within the LD II program management structure.

The team will:

1. Assess whether the LD II organizational entities are in place, functioning, and coordinating to achieve the stated purpose by the program completion date of 9/30/92. Recommend alternative organizational and management structures as warranted and include organizational charts and functional statements for any recommended changes; and
 2. Provide an analysis of progress to date of institutionalizing the implementation capacity of local government units to plan, design, implement and maintain local projects. Comment on the numbers and quality of projects.
2. To what extent are the Block Grant System components (BSDS, FVO, and Training) allowing for local institution building and project quality? What are the criteria by which block grants are allocated to governorates? Who or what entities are actually selecting, planning and implementing LD II local projects (BSDS, FVO, and local training)? What and where are the decision points?

The team will:

1. Review and analyze the block grant allocation criteria and, if warranted, make recommendations for modifications;
2. Review and analyze processes by which local councils select, plan and implement LD II local projects (including O&M). Assess the degree to which the current investment block grant allocation and planning systems provide for institution building and project quality to achieve the program purpose and goal;
3. Determine the degree to which LD II Management Information Systems are utilized in decision-making, planning, implementation and monitoring/evaluation processes and assess its appropriateness for this function;

5. Review training activities to assess their potential to build capacity required for improved project quality.
3. Is LD II strengthening local governments' capabilities in O&M? What is the level of Governorate/Markaz capacity to plan, supervise and implement O&M activities at the governorate and village/urban district level? Will LD II O&M activities result in long-term project sustainability? This question addresses problem area number two, inadequate operations and maintenance planning and implementation including the lack of recurrent cost planning.

The team will:

1. Review LD II interventions (rural/urban and pilot maintenance centers) to determine the degree to which they have strengthened O&M capacity at the local level, including the appropriateness and quality of O&M plans. If warranted, make recommendations for further strengthening local government O&M capabilities;
 2. Review annual GOE LD II budget allocations against O&M plans, as well as the amount actually expended;
 3. Identify specific examples of successful LD II O&M activities at the governorate, markaz/urban district and village levels; and
 4. Review LD II training activities for progress in capacity building for O&M planning and implementation.
4. Will the ongoing and proposed LRM activities contribute to fiscal decentralization? A pre-assessment study of LRM activities, the role of local governments and the MOF in LRM, and relevant national legislation will be available for the team to review. This question addresses problem area number three, minimal progress on local resource mobilization.

The team will:

1. In the context of the overall assessment endorse the current and proposed course of action for LRM activities under LD II, or recommend changes; and

2. Review data and information from the PVO subcontractor to determine the degree to which PVO activities have been successful in mobilizing local resources for capital and recurrent costs.
5. Are the program assumptions still valid and is the project purpose still appropriate?

The team will:

Following an indepth review of background documentation including the Project Paper, logical framework and pre-assessment studies, determine whether program purposes and assumptions are still valid and appropriate. Make recommendations for maintaining or modifying the project purpose statement.

E. TEAM COMPOSITION

The assessment team will be composed of up to eight persons, including four Egyptian consultants and four American consultants. One Egyptian and one American will be designated as co-team leaders.

1. Project Management (1 Egyptian and 1 American);
2. Egypt Local Government Specialist and Organizational Design Specialist (1 Egyptian & 1 American)
3. Local Government Finance Specialist (1 American)
4. Local Finance/PVO Specialist (1 Egyptian)
5. O&M/Engineering Specialist (1 American and 1 Egyptian)

Other Personnel Inputs:

- Team Planning Meeting Facilitator (1 American or Egyptian for a total of 5 days)
- Each principal GOE implementing agency and USAID are encouraged to provide a liaison officer to work with the evaluation team as required and requested.

F. METHODS AND PROCEDURES

The primary assessment method for data collection will be interviews with key GOE officials (at the central and governorate, village, and urban district/markaz levels), LD II contractors, and USAID officials.

The team members will also review the appropriate project documents, pre-evaluation studies, project reports prepared by contractors and those provided by USAID and the GOE agencies.

G. TIMING AND DURATION

The assessment will be carried out during a six week period, commencing o/a September 17 and terminating o/a October 26, 1989. A six day work week will be authorized. The first three days of the assessment will be a team planning meeting held with the entire joint US-Egyptian team in Cairo. The last two days of the assessment will be a wrap up meeting in Cairo.

H. FUNDING

Funding for the assessment will be provided under the LD II Program for an IQC with Development Alternatives Inc.

I. REPORTING REQUIREMENTS

1. The assessment team will submit a work plan to USAID and the concerned GOE entities within one week of commencing work.
2. Mid-way through the assessment the team will brief GOE implementing agencies, USAID/LAD staff and the Evaluation Officer on progress to date.
3. The team will submit a draft report to USAID and the GOE four weeks after they commence work. This draft report will be no more than 15 single-spaced or 30 double-spaced typewritten pages. USAID will make every effort to provide written comments on the draft within one week of receipt of the draft report. The final report will take these comments into consideration.
4. The team will submit the final assessment report to USAID and the GOE implementing agencies within one week of receiving written comments on the draft report from USAID and GOE representatives. The final report will include findings which answer the questions stated in this scope of work, conclusions that are based on the findings and the team's recommendations based on their analyses.

5. The format for the report will be as follows:

Executive Summary, in narrative form, not to exceed three single-spaced typewritten pages. This is to be provided in both English and Arabic.

Listing of Major Conclusions and Recommendations. This section will briefly summarize the most important conclusions and recommendations of the assessment, in bulletized or matrix form.

Main Report, i.e. information and evidence on which the conclusions and recommendations are based. The information obtained through the required tasks, described above is to be qualitatively and quantitatively analyzed, and integrated to respond directly to the key questions in the Statement of Work. The report is not to exceed fifteen single-spaced typewritten pages.

Annexes, as appropriate, including the assessment Scope of Work, a bibliography of documents consulted, a list of individuals interviewed and their agency affiliation, and other information considered appropriate by the team.

6. After the final report has been completed, the team will conduct debriefings for USAID and the concerned GOE entities to present their major findings, conclusions and recommendations.

**ANNEX B
STATISTICAL DATA**

Final Accounts

Year	Expenditures Current Egyptian Pounds (L.E.000)		
	Bab 1	Bab 2	Total
1984/85	1540.0	342.0	1882.0
1985/86	1671.0	387.0	2058.0
1986/87	1820.0	429.8	2249.8
1987/88	2222.9	520.0	2742.9
1988/89	2648.9	592.6	3241.5
Growth 1984/85 -1988/89	72.0%	73.3%	72.2%

Percent Distribution

1984/85	81.8%	18.2%	100.0%
1985/86	81.2%	18.8%	100.0%
1986/87	80.9%	19.1%	100.0%
1987/88	81.0%	19.0%	100.0%
1988/89	81.7%	18.3%	100.0%

Expenditures

	1984-85 Egyptian Pounds (L.E.000)		
	Bab 1	Bab 2	Total
1984/85	1540.0	342.0	1882.0
1985/86	1363.4	315.8	1679.2
1986/87	1240.7	293.0	1533.7
1987/88	1279.8	299.4	1579.2
1988/89	1268.8	283.9	1552.7
Growth 1984/85 -1988/89	-17.6%	-17.0%	-17.5%

This table demonstrates the changes in the GOE Final Accounts on Bab I (Salaries) and Bab II (O&M-recurrent costs) expenditures.

Note:

- (1) Between 1985/85 and 1988/89, Bab I and II expenditures increased from 1.8 billion L.E. to 3.2 billion L.E., or approximately 72 percent.
- (2) The percentage distribution between Bab I and Bab II has not changed significantly over the last five years.
- (3) Due to inflation over the past five years, there has actually been a decrease of approximately 17.5 percent in Bab I and Bab II expenditures if computed in current 1984/85 L.E.

Final Account

Revenues

	Bab 1	Bab 2	Bab 1+2	Subsidy	Total
1984/85	238.9	206.0	444.9	1417.7	1862.6
1985/86	241.0	248.9	489.9	1568.0	2057.9
1986/87	270.8	326.0	596.8	1652.7	2249.5
1987/88	227.7	373.7	601.4	2141.9	2743.3
1988/89	292.0	398.7	690.7	2550.8	3241.5
Growth 1984/85 -1988/89	22.2%	93.5%	55.2%	79.9%	74.0%

	Bab 1	Percc Distribution		Subsidy	Total
		Bab 2	Bab 1+2		
1984/85	12.8%	1.1%	23.9%	76.1%	100.0%
1985/86	11.7%	12.1%	23.8%	76.2%	100.0%
1986/87	12.0%	14.5%	26.5%	73.5%	100.0%
1987/88	8.3%	13.6%	21.9%	78.1%	100.0%
1988/89	9.0%	12.3%	21.3%	78.7%	100.0%

	Bab 1	Revenues			Total
		1984/85 Egyptian Pounds			
	Bab 1	Bab 2	Bab 1+2	Subsidy	Total
1984/85	238.9	206.0	444.9	1417.7	1862.6
1985/86	196.6	203.1	399.7	1279.4	1679.1
1986/87	184.6	222.2	406.8	1126.6	1533.4
1987/88	131.1	215.2	346.3	1233.2	1579.5
1988/89	139.9	191.0	330.8	1221.8	1552.7
Growth 1984/85 -1988/89	-41.5%	-7.3%	-25.6%	-13.8%	-16.6%

This table indicates changes in the GOE Final Account on revenues available from Bab I and Bab II sources.

Note:

1. In gross terms, revenues available for Bab-I (salaries) increased 22.2 percent and revenues for Bab II (O&M/recurrent costs) increased 93.5 percent.
2. The percentage of central GOE subsidies to local government budgets has only increased 2.6 percent between 1984/85 and 1988/89. Also, it appears that GOE subsidies to local governments may have bottomed out at 73.5 percent in 1986/87.

Appendix B.A Possible LD-II Governorate Allocation Formula: A Case for a Multi-Criteria Approach

Over the past three years of the LD-II Program most funds have been allocated essentially on the basis of population, with the provincial areas receiving a somewhat disproportionate share of the total funds available. While such an allocation does have some political advantages and probably reflects a desire to reduce conflict among the governorates, there are some clear disadvantages to the present formula both for the GOE and USAID.

Under the present system all governorates are essentially treated the same regardless of differences in their levels of social and economic development and regardless of whether a particular governorate is sincerely trying to achieve the goals of the LD-II Program. Even a cursory review of the past two years makes it clear that some governorates are more committed to the objectives of the LD-II Program than are others. Unfortunately, such an equal allocation sends a wrong signal to the governors suggesting to them that adherence to the goals of the LD-II Program is not a precondition for their allocation.

An Example of How a "Needs" Criteria Might be Justified for the LD-II Program

Since the "New Mandate" of 1974, USAID has sought to establish funding allocations structured to some extent on the basis of equity and need. A significant portion of USAID funding has been earmarked to impact in some meaningful way on the "poorest of the poor."

BVS and LD-II Programs were both designed to impact positively on the rural areas of Egypt - areas that have traditionally been the most disadvantaged areas of this society. A superficial review of Egyptian society might lead one to believe that poverty is equally distributed in all areas of Egypt (Urban, Lower Egypt, Upper Egypt). A closer analysis of the situation clearly documents that some areas of Egypt are much more disadvantaged than other areas on the basis of a number of social and economic criteria.

A case will be presented to suggest that some portion of the LD-II allocations should be distributed disproportionately to one region of Egypt that on the basis of a number of criteria is the most disadvantaged area in Egypt - i.e., Upper Egypt (Beni Suef, Fayoum, Minya, Assyut, Sohag, Qena, and Asswan).

A. Child Survival - According to the official infant mortality rates shown below, Upper Egypt has the highest infant mortality rate of any other region and this rate is nearly 50 percent higher than in Lower Egypt. Adjusted for the incompleteness of official government records, the IMR for Lower Egypt rises to 48 - comparable to what exists in Cairo and Alexandria. Yet the adjusted IMR for Upper Egypt reaches an alarming 91.

Table I
Official and Adjusted Infant Mortality Rates by Region (1986)

<u>Region</u>	<u>Official IMR</u>	<u>Adjusted IMR</u>
Urban Governorates	47	48
Lower Egypt	38	47
Upper Egypt	57	91
Fontier	36	-

Table II
Official and Adjusted Infant Mortality Rates by Governorate in Upper Egypt

<u>Governorate</u>	<u>Official IMR</u>	<u>Adjusted IMR</u>
Beni Suef	56	100
Fayoum	50	84
Minya	59	102
Assyut	57	91
Qena	43	93
Asswan	77	91

During the past decade, much of USAID's efforts to improve the quality of life for Egypt's population has focussed on health, education and potable water. While no causal relationship can be validated with data presently available, it is apparent that much progress has been made in reducing Egypt's Infant Mortality Rates by providing various programs in oral dehydration treatment, mother/child care, and potable water

Table III below demonstrates that Egypt's regional rates have been falling since 1980. However, while in most regions of Egypt the IMR has declined over 40 percent (47% for Lower Egypt), Upper Egypt has had only a little over 25 percent decline (27%). Somewhat more disturbing is the fact that because IMR has dropped faster in Lower Egypt than in Upper Egypt, the disparity in IMR has greatly increased. In 1980, for example, the IMR in Upper Egypt was 7 percent higher than in Lower Egypt, by 1986 the Upper Egypt IMR was 50 percent higher than in Lower Egypt.

Table III
Infant Mortality Rate Changes by Region 1980 -1986

<u>Region</u>	<u>1980</u>	<u>1986</u>	<u>% Decline</u>	<u>Infant Deaths</u>
<u>1986</u>				
Urban	80	41	41%	14,020
Lower Egypt	73	38	47%	30,891
Upper Egypt	80	57	27%	44,066
Frontier	64	36	43%	970

A review of the Under Five Mortality Rate in Egypt's Regions shows the same pattern. Upper Egypt is clearly a disadvantaged area.

Table IV
Under Five Mortality Rates by Region

<u>Region</u>	<u>Official</u>	<u>Adjusted</u>
Urban	59	60
Lower	57	65
Upper	88	122
Frontier	46	-

B. Educational Opportunities

USAID's Rural School Program has been very impressive - over 800 in the last several years. Hundreds of studies have documented the positive impact education can have on the quality of life in a given area. In Table V and Table VI below, it should be apparent both in the ways regions differ in Egypt in terms of illiteracy and also what impact levels of illiteracy can have on the Infant Mortality Rate in a given region.

Table V
Illiteracy Rates by Region, Urban/Rural, and by Sex (1986)

<u>Region</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Urban	24%	40%	32%
<u>Lower Egypt</u>			
Urban	28	47	37
Rural	42	71	56
<u>Upper Egypt</u>			
Urban	30	50	39
Rural	54	84	68

Table VI
Infant Mortality Rates by Education Level of Mother by Region
(1980)

<u>Region</u>	<u>Infant Mortality Rate (1980)</u>
<u>Urban</u>	
Illiterate Mother	101
Literate Mother	89
<u>Lower Egypt</u>	
Illiterate Mother	123
Literate Mother	68
<u>Upper Egypt</u>	
Illiterate Mother	151
Literate Mother	129

Table VI clearly demonstrates the strong link between IMR and the level of the Mother's education. Again Upper Egypt appears to be in a class by itself.

One important indicator of the future potential for progress in a given region is the primary school enrollment sex ratio. A review of the changes in this ratio between 1981 and 1987 demonstrates significant progress in all the regions of Egypt - with Upper Egypt, however, still lagging far behind the other regions. At the present time there is nearly an equal distribution of girls and boys entering schools in the urban areas and Lower Egypt. In Upper Egypt even today girls are much less apt to be enrolling in primary schools than are boys.

Table VII
Trends in Primary Enrollment Sex Ratio by Region (1981-1987)

<u>Region</u>	<u>Ratio of Male to Female Pupils Enrolled</u>	
	<u>1981</u>	<u>1987</u>
Urban	1.11	1.07
Lower Egypt	1.52	1.20
Upper Egypt	2.48	1.88

C. Access to Safe Water

A review of the percentage of households who have access to potable water, clearly shows that urban areas are advantaged over rural areas. When one compares Lower and Upper Egypt's rural areas, there is still nearly a twenty percent spread.

Table VIII
Proportion of Households with Access to Piped Water

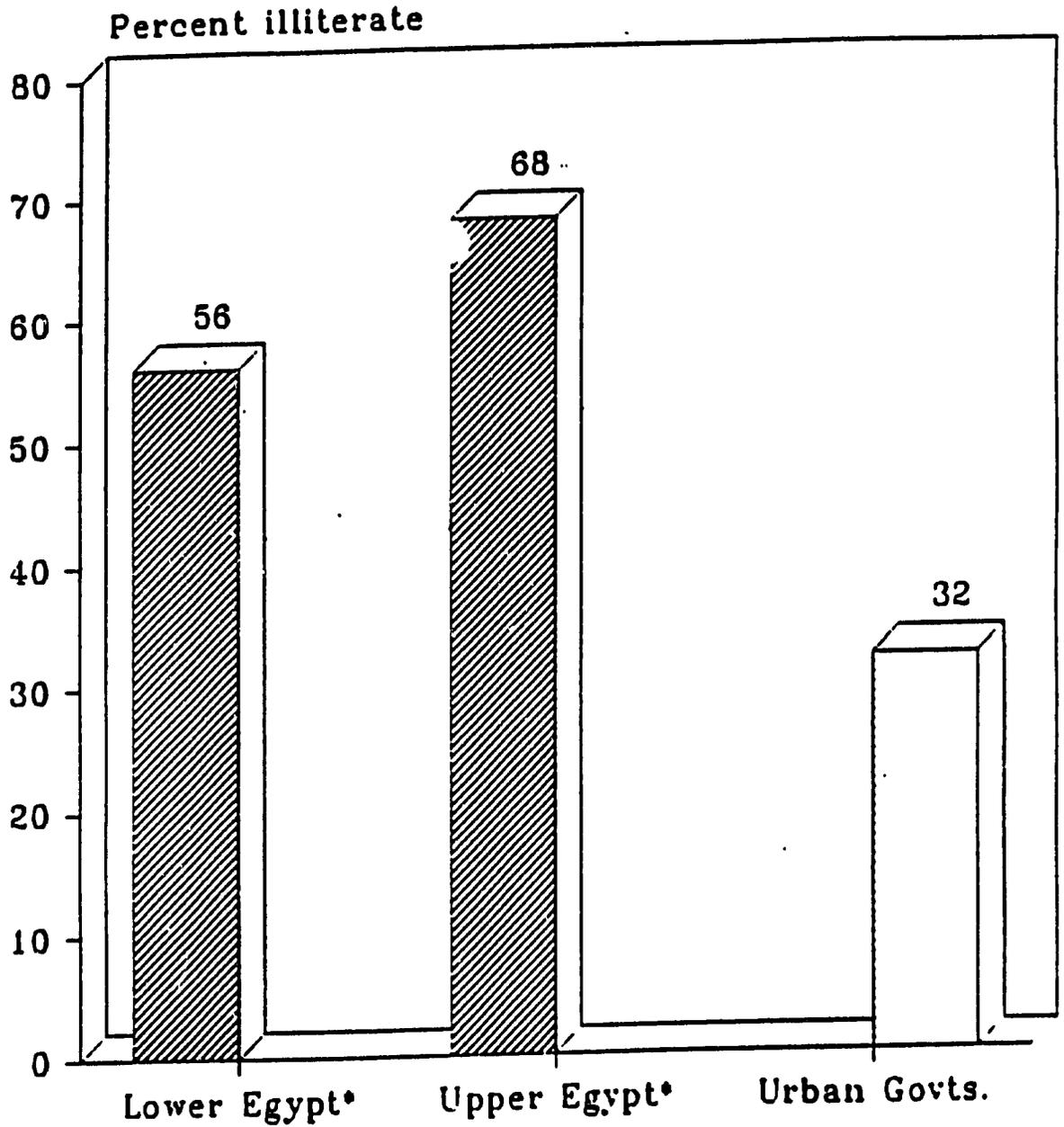
<u>Region</u> <u>Households</u>	<u>Proportion With Water</u>	<u>Number</u> <u>without access</u>	<u>of</u>
Urban	96.6	74,483	
<u>Lower Egypt</u>			
Urban	93.2	83,611	
Rural	64.7	1,006,710	
<u>Upper Egypt</u>			
Urban	84.0	181,735	
Rural	45.0	1,239,484	
<u>Frontier</u>			
Urban	94.5	9,343	
Rural	55.9	24,320	

Conclusion

While most LD-II funds, at least in the near future, will continue to be allocated on the basis of population, there is a need to explore alternative ways by which such funds could be allocated. It is not unreasonable to approach the GOE with a new formula which would take into consideration other types of allocation criteria such as performance indicators within governorates and economic and social development needs in disadvantaged areas.

FEMALE ILLITERACY

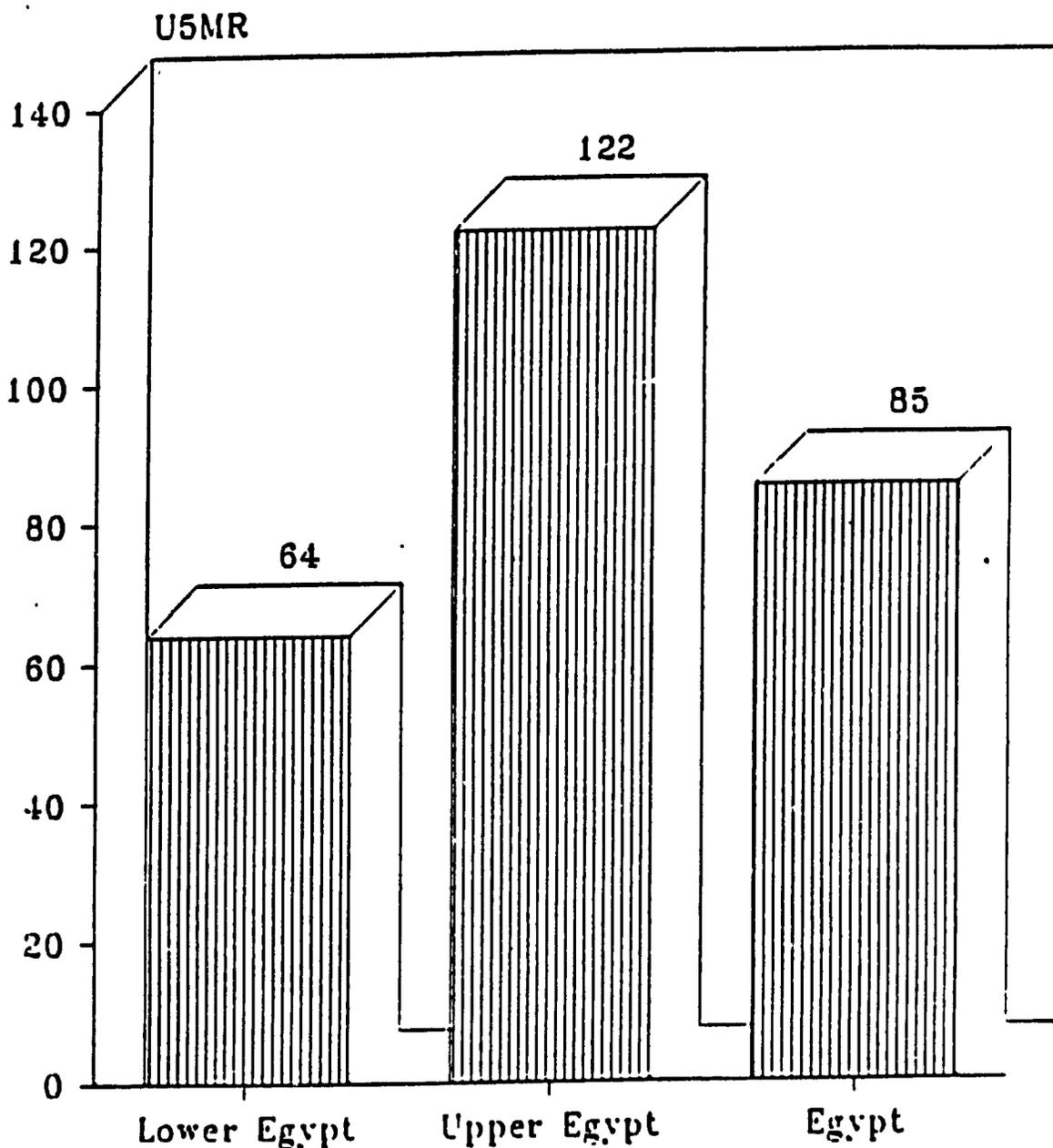
Area Disparity: 1986



CAPMAS (1987)
The Situation of Children in Upper Egypt
Report, p.44

* Rural

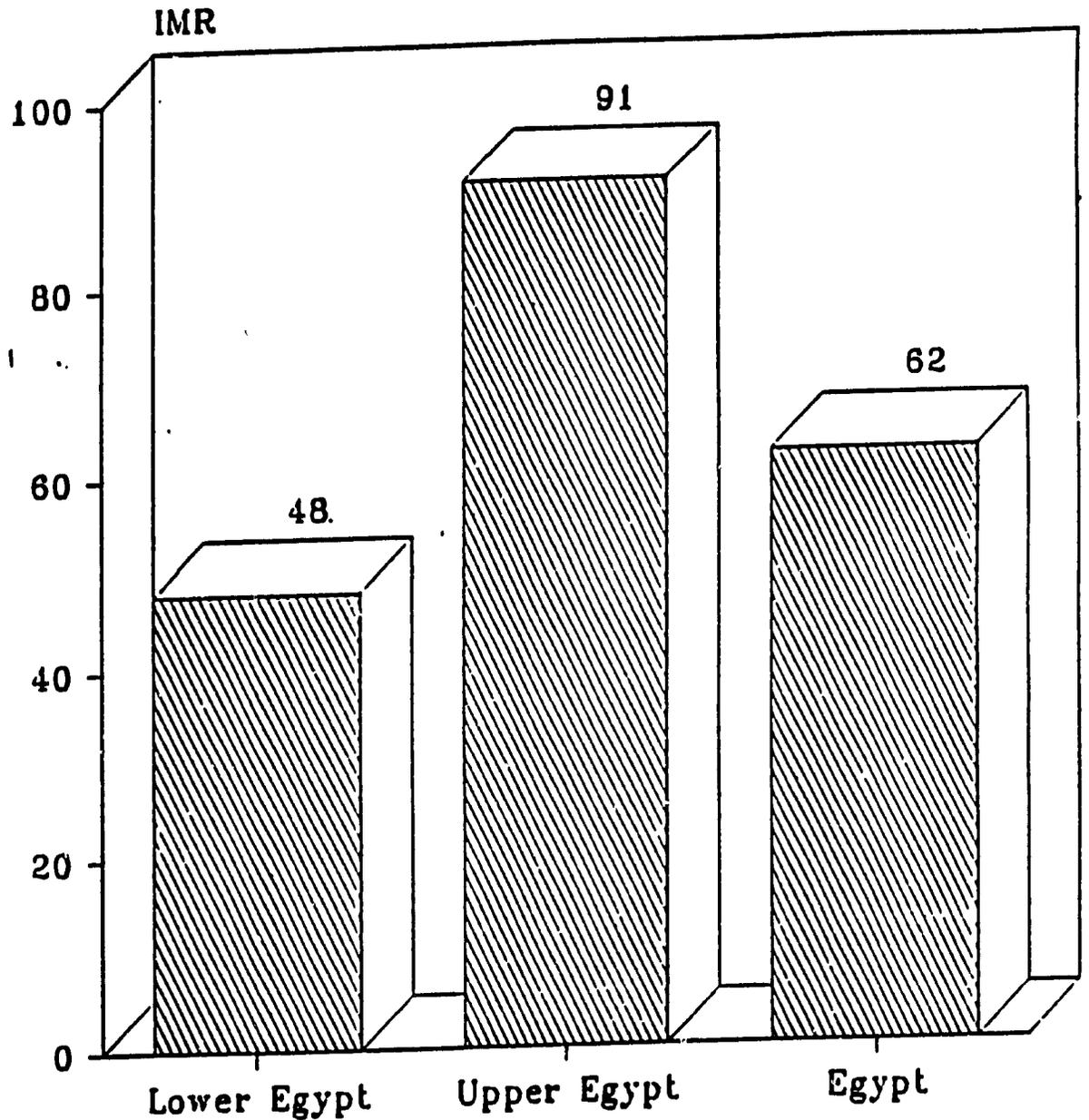
Under-5 Mortality Rate Disparity Between Upper and Lower Egypt



1986 (Adjusted)

CAPMAS Vital Statistics
1980-88

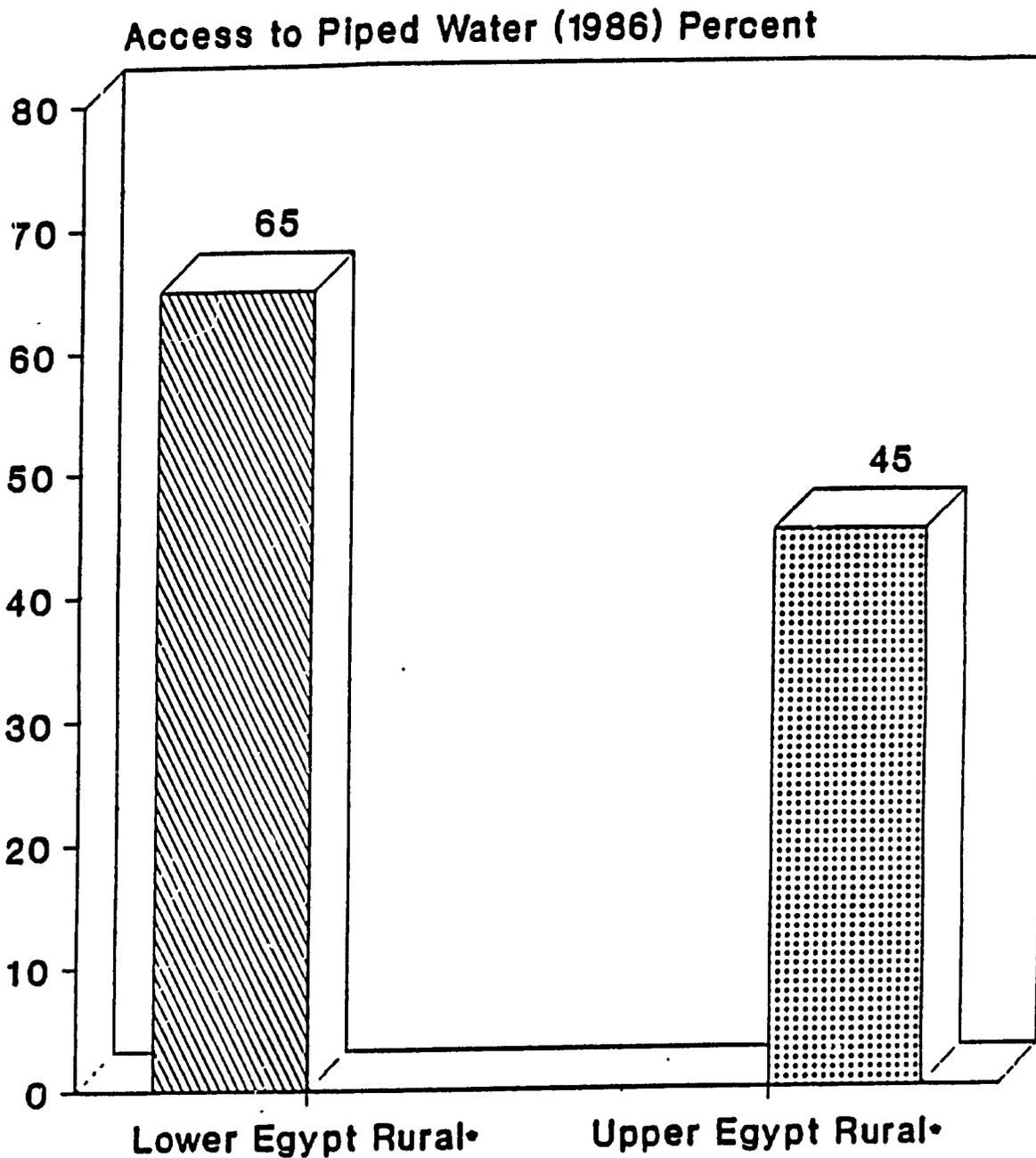
Infant Mortality Rate Disparity between Upper and Lower Egypt



1986 (Adjusted)

CAPMAS and NAS, 1982
The Situation of Children In Upper Egypt
Report, p.17

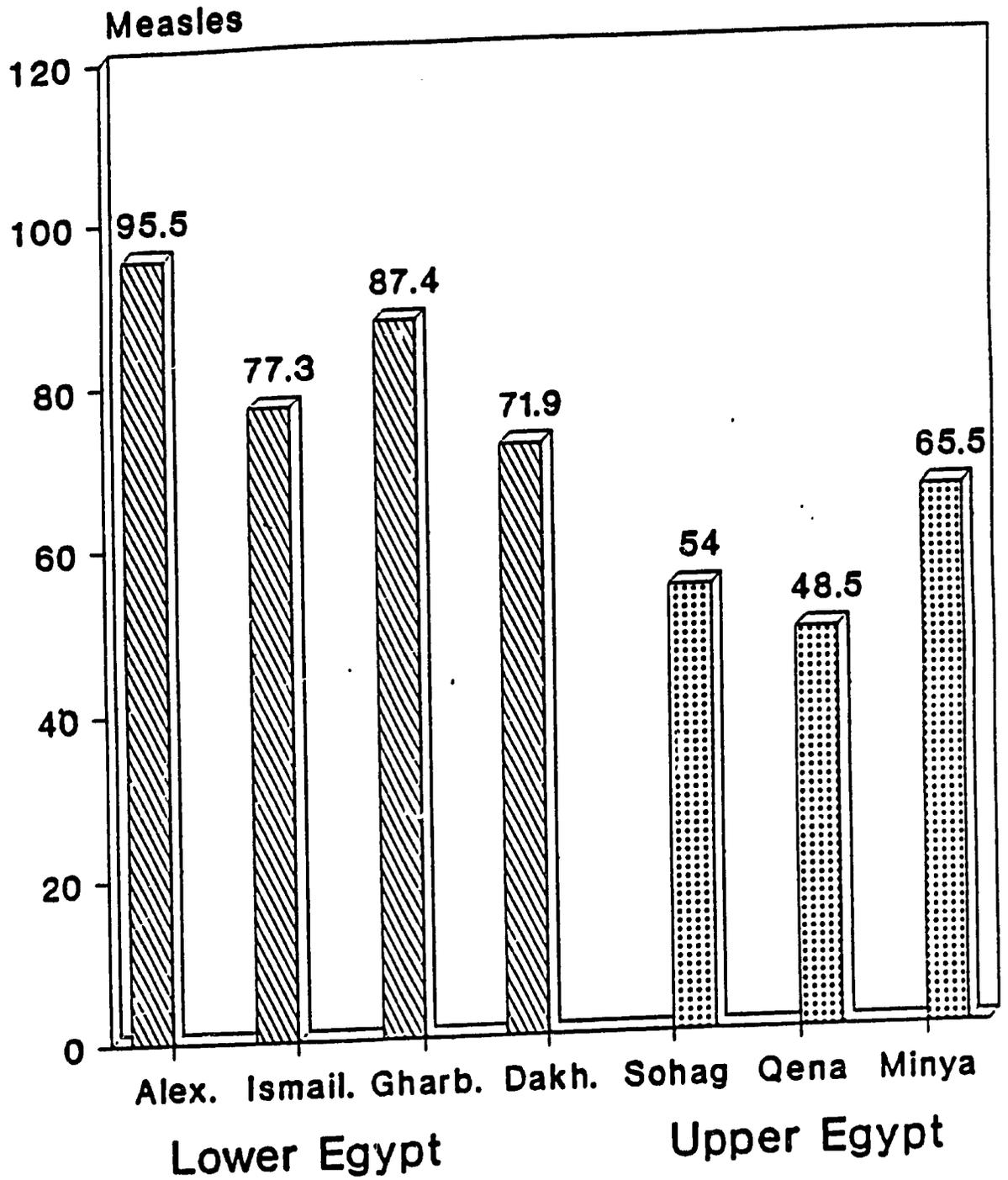
PROPORTION OF HOUSEHOLDS WITH ACCESS TO PIPED WATER



The Situation of Children In Upper Egypt
Report, p.81

- * Lower Urban 93
- Upper Urban 84
- Egypt 73

B-14
IMMUNIZATION COVERAGE



National Cluster Survey Report
1987, p.5

P.V.O. Allocation Criteria

1. Number of population in each governorate (x value 30%).
2. Number of PVOs in each governorate (x value of 30%).
3. Rate of illiteracy in each governorate (x value of 10%).
4. Rate of unemployment in each governorate (x value of 10%).
5. Need of water services in each governorate (x value of 10%).
6. Need of electricity in each governorate (x value of 10%).

LD II URBAN BLOCK GRANT ALLOCATION FORMULAS1. Allocation Among Governorates

USAID funds are distributed among the six urban governorates in direct proportion to (1986 census) population size.

2. Allocation Within Governorates

Governorates retain up to 25% of the total governorate allocation for central projects. Of the balance, 40% is distributed equally among the districts and 60% is distributed according to a formula based on the following demographic and socioeconomic factors:

1. Population size
2. Population density
3. Illiteracy rate
4. Average household size
5. Housing units unserved by sewage
6. Housing units unserved by electricity

Drafted:DR/LAD:WFaltaous:mf:10/10/1989 (4042D, disk (0055D)

**Beni Suef Local Service and Development Funds
Villages
Revenues**

Villages	1986/87	1987/88	Growth Rate	Distribution
	89439	100282	12.1%	5.4%
	0	65652		3.6%
	101890	95658	-6.1%	5.2%
	31016	36351	17.2%	2.0%
	75759	76428	0.9%	4.2%
	52550	56910	8.3%	3.1%
	95001	69208	-27.2%	3.8%
	27085	0	-100.0%	0.0%
	7215	4982	-30.9%	0.3%
	7647	8958	17.1%	0.5%
	5971	4800	-19.6%	0.3%
	15221	41863	175.0%	2.3%
	0	21273		1.2%
	59079	52680	-10.8%	2.9%
	28063	0	-100.0%	0.0%
	11195	41461	270.4%	2.3%
	21974	47470	116.0%	2.6%
	48976	17752	-63.8%	1.0%
	33307	34868	4.7%	1.9%
	7548	35655	372.4%	1.9%
	10030	13455	34.1%	0.7%
	60937	45125	-25.9%	2.5%
	167768	155159	-7.5%	8.4%
	169749	197344	16.3%	10.7%
	115761	104785	-9.5%	5.7%
	92352	89731	-2.8%	4.9%
	205658	310923	51.2%	16.9%
	9608	6458	-32.8%	0.4%
	12695	9883	-22.2%	0.5%
	65598	10358	-84.2%	0.6%
	4605	5175	12.4%	0.3%
	2099	22480	971.0%	1.2%
	14274	15956	11.8%	0.9%
	6807	21283	212.7%	1.2%
	3745	0	-100.0%	0.0%
	12464	16243	30.3%	0.9%
	18320	8359	-54.4%	0.5%
	16737	13285	-20.6%	0.7%
Total	1659167	1840501	10.9%	100.0%

Note: In Beni Swaif there are 38 Village Local Service and Development Fund. Combined, the revenues collected through these local council efforts reached L.E. 1.6 million in 1986/87 and L.E. 1.8 million in 1987/88.

Summary of LRM Activities (Fayum Governorate)
(Four Village Unit Accounts)
Village

Sources of Locally Funded Projects	A	B	C	D
I. Projects Funded only from Local Services and Development Fund	LE 76,400(15.8%)	LE 15,330(37.9%)	25,185(14.3%)	14,277(6.2%)
II. Projects Funded only from Popular Fund Raising	LE 349,500(72.3%)	LE 6,720(16.7%)	31,100(17.7%)	44,800(88.5%)
III. Projects Funded by a Joint Fund Raising Activity	LE 57,300(11.9)	LE 18,200(45.4%)	119,490(68.0%)	2,700(5.3%)
A) LSDF	A) LE 33,600	A) LE 30,000	A) LE 15,900	A) 1,300
B) Popular	B) LE 23,700	B) LE 18,200	B) LE 103,500	B) 1,400
Total	LE 483,200	40,150	175,775	61,727

Notes:

-
- 1) If you combine II and III B you obtain total resources collected from popular sources
- | | | | | |
|--|-------------------|-------------|----------------|---------------|
| | LE 372,200(79.3%) | 24,920(62%) | 150,590(85.6%) | 48,100(91.2%) |
|--|-------------------|-------------|----------------|---------------|
- 2) Averaging the four accounts, it appears roughly 75.5 percent of all locally funded projects were collected from private (popular) sources.

NUMBERS OF POPULAR COUNCILS

	1989	1981	1976	1967
Governorate Popular Councils	26	26	24	25
Urban Quarters (Hay) Popular Councils	42	25	14	-
Rural Markaz Popular Councils	163	150	132	122
Town Popular Councils	184	173	153	147
Village Popular Councils	906	808	755	977
Number of Villages	-	4128	-	-
Number of Hamlets (Ezba, Naga, Kafr)	-	26000	-	-

Annex B Table 7

DISTRIBUTION OF O&M ALLOCATION INCLUDED IN THE AHAMA BUDGET
FOR THE FISCAL YEARS 86/87, 87/88, 88/89

GOVERNORATE	DSF		URBAN NEIGHBORHOODS		BASIC VILLAGE SERVICES		TOTAL		CONVERSION FACTOR	PROPOSED DISTRIBUTION
	ACCUMULATED INVESTMENT	O&M 10%	ACCUMULATED INVESTMENT	O&M 5%	ACCUMULATED INVESTMENT	O&M 5%	ACCUMULATED INVESTMENT	O&M		LE
	LE mill	LE mill	LE mill	LE mill	LE mill	LE mill	LE mill	LE mil		
Cairo	-	-	32.86	1.643	-	-	32.86	1.643	6.61	971,670
Giza	7.96	0.796	8.17	0.409	10.35	0.518	26.48	1.723	6.93	1,018,710
Qaliubia	5.91	0.591	4.90	0.245	10.60	0.530	21.41	1.366	5.49	807,030
Gharbia	5.79	0.579	-	-	10.88	0.544	16.67	1.123	4.52	664,440
Dakahlia	6.39	0.639	-	-	10.66	0.533	17.05	1.172	4.71	692,370
Menoufia	5.79	0.579	-	-	10.67	0.534	16.46	1.113	4.48	658,560
Kafr El Sheikh	5.19	0.519	-	-	10.65	0.533	15.84	1.052	4.23	631,810
Damietta	5.19	0.519	-	-	10.35	0.518	15.54	1.037	4.17	612,990
Alexandria	-	-	16.42	0.821	-	-	16.42	0.821	3.30	485,100
Beheira	6.03	0.603	-	-	10.64	0.532	16.67	1.135	4.57	671,790
Matrouh	4.59	0.459	-	-	4.74	0.237	9.33	0.696	2.80	411,600
Minia	5.19	0.519	-	-	10.69	0.535	15.88	1.054	4.24	623,280
Beni Sueif	5.19	0.519	-	-	10.35	0.518	15.54	1.037	4.17	612,990
Fayoum	5.19	0.519	-	-	9.88	0.494	15.07	1.013	4.08	599,760
Assiut	5.31	0.531	-	-	10.35	0.518	15.66	1.049	4.22	620,340
El Wadi El Guedid	4.71	0.471	-	-	4.70	0.235	9.41	0.706	2.84	417,480
Asuan	4.95	0.495	-	-	30.28	0.514	15.23	1.009	4.06	596,820
Sohag	5.19	0.519	-	-	10.38	0.519	15.57	1.038	4.18	614,460
Kena	4.95	0.495	-	-	10.35	0.518	15.30	1.013	4.08	599,760
El Bahr El Ahmar	4.55	0.455	-	-	4.50	0.225	9.05	0.680	2.74	402,780
Ismailia	-	-	-	-	4.50	0.225	4.50	0.225	0.99	133,770
Sharkia	5.91	0.591	-	-	11.08	0.544	16.99	1.135	4.57	671,790
Port Said/Suez	-	-	-	-	-	-	-	-	-	-
North Sinai	4.89	0.489	-	-	10.35	0.518	15.24	1.007	4.05	595,350
South Sinai	4.89	0.489	-	-	10.35	0.518	15.24	1.007	4.05	595,350
TOTAL	113.76	11.376	62.35	3.118	207.30	10.360	393.41	24.854	100.00	14,700,000

Source: Translated from Arabic report of
Ministry of Local Government

na/O&M

ANNEX B, Table 2

**Distribution of O&M funds allocated in MLG budget
for fiscal year 1989/90 (Bab II)
among various governorates (26) (urban / rural)
(LE 000)**

Governorate	Heavy Equip. Inv.	10%	NUS Inv.	5%	BVS Inv.	5%	LDII-NUS				LDII-P		TOTAL Inv.	TOTAL O & M Proposed	TOTAL O & M Allocated	URBAN O & M	RURAL O & M
							Inv.	5%	Equip.	10%	Inv.	5%					
Cairo	0	0	32,860	1,643	0	0	1,455	73	2,997	300	0	0	57,315	2,016	2,669	2,669	0
Alexandria	0	0	16,420	821	0	0	1,725	85	501	50	0	0	18,547	957	1,268	1,268	0
Giza	7,960	796	8,170	409	11,555	578	1,075	52	440	44	3,302	165	32,502	2,045	2,708	807	1,901
Qalubiya	5,910	591	4,900	245	11,586	579	410	21	303	30	3,302	165	26,411	1,631	2,100	576	1,584
P.Said	0	0	0	0	0	0	1,621	81	672	67	0	0	2,293	148	195	196	0
Suez	0	0	0	0	0	0	1,285	64	412	41	0	0	1,695	105	139	139	0
Gharbiya	5,790	579	0	0	11,515	576	0	0	0	0	6,050	303	23,355	1,457	1,929	0	1,929
Daqahliya	6,390	639	0	0	11,765	588	0	0	0	0	6,050	303	24,205	1,530	2,025	0	2,025
Menoufiya	5,790	579	0	0	11,544	577	0	0	0	0	3,302	165	20,636	1,321	1,749	0	1,749
K.Sheikh	5,190	519	0	0	11,565	578	0	0	0	0	6,050	303	22,805	1,400	1,853	0	1,853
Dameinta	5,190	519	0	0	11,765	588	0	0	0	0	6,050	303	23,005	1,410	1,867	0	1,867
Bebeira	6,030	603	0	0	11,905	595	0	0	0	0	3,302	165	21,237	1,365	1,805	0	1,805
Matrouh	4,590	459	0	0	5,935	297	0	0	0	0	3,301	165	15,826	921	1,219	0	1,219
Minya	5,190	519	0	0	11,317	566	0	0	0	0	3,302	165	19,209	1,250	1,655	0	1,655
Beni Suef	5,190	519	0	0	11,465	573	0	0	0	0	6,050	303	22,705	1,395	1,847	0	1,847
Fayoum	5,190	519	0	0	11,054	553	0	0	0	0	3,302	165	19,546	1,277	1,638	0	1,638
Assyout	5,310	531	0	0	11,515	576	0	0	0	0	6,050	303	22,875	1,409	1,866	0	1,866
N Valley	4,710	471	0	0	6,056	303	0	0	0	0	3,302	165	14,068	939	1,243	0	1,243
Asswan	4,950	495	0	0	11,515	576	0	0	0	0	6,050	303	22,515	1,373	1,818	0	1,818
Sobag	5,190	519	0	0	11,736	587	0	0	0	0	3,302	165	20,228	1,271	1,683	0	1,683
Qena	4,950	495	0	0	11,765	588	0	0	0	0	3,302	165	20,017	1,248	1,653	0	1,653
Red Sea	4,550	455	0	0	4,915	246	0	0	0	0	3,302	165	12,767	866	1,146	0	1,146
Ismailiya	0	0	0	0	5,669	283	0	0	0	0	6,050	303	11,719	586	776	0	776
Sharqia	5,910	591	0	0	11,602	580	0	0	0	0	3,302	165	20,814	1,336	1,769	0	1,769
S. Sinai	4,890	489	0	0	11,100	555	0	0	0	0	3,302	165	19,292	1,209	1,601	0	1,601
S. Sinai	4,890	489	0	0	10,038	502	0	0	0	0	3,302	165	18,230	1,156	1,531	0	1,531
Total	113,760	11,376	62,350	3,118	228,882	11,444	7,573	379	5,325	533	94,627	4,731	512,517	31,580	41,814	5,655	36,159

ANNEX B TABLE 8

LOCAL DEVELOPMENT II
TOTAL GRANT, ACTUAL SPENT AND AVERAGE SIZE OF A.I.D. GRANTS RECEIVED
FOR FIRST & SECOND CYCLES

Governorates	1st Cycle						2nd Cycle					
	Total Grant	Actual Spent (1)	No. PVOs	No. Proj.	Av. Grant per PVO	Av. Grant per Proj.	Total Grant	Actual Spent (2)	No. PVOs	No. Proj.	Av. Grant per PVO	Av. Grant per Proj.
CAIRO	792146.75	995385.78	106	116	7473.08	8528.85						
ALEXANDRIA	563600.00	606056.00	66	55	9533.93	8516.38						
SUEZ	108000.00	371216.00	6	26	18000.00	4153.85	202384.00	182061.00	7	8	28912.00	25298.00
QALUBIYA URBAN	161000.00	340198.00	22	23	7636.36	7000.00	300895.00	297696.00	24	39	12537.00	7715.26
FORT SAID	185000.00	123018.15	5	5	21000.00	21000.00						
GIZA URBAN	174500.00	185921.00	24	26	7270.83	6711.54						
DANIETTA	105000.00	162000.00	11	12	9546.45	8750.00						
DAQANLIA	107000.00	230034.00	18	18	5944.44	5944.44	1365577.00	1365577.00	102	106	13368.01	12882.80
QALUBIYA PROV	105000.82	147917.36	13	13	8076.92	8076.92	611918.00	434170.00	62	65	9869.66	9414.12
KAFR EL SHEIKH	101250.00	127686.00	31	34	3266.13	2977.94						
MENUFIYA	105000.00	123850.00	7	7	15000.00	15000.00						
BEHEIRA	105000.00	142375.00	34	34	3088.24	3088.24	1155050.00	1155050.00	100	134	11550.50	8619.78
ISMAILIA	105000.00	134000.00	10	10	10500.00	10500.00						
GHARBIYA	105000.00	135150.00	10	10	10500.00	10500.00	1178017.00	1055646.00	88	114	13386.66	10331.48
SHARKIYA	105000.00	141100.00	14	15	7500.00	7000.00	1677823.00	1677823.00	80	102	20972.79	16449.25
GIZA PROV	93125.00	99139.00	15	19	6208.33	4901.32						
BENI SUIF	105000.00	169175.00	16	18	6562.50	6562.50	679974.75	665574.75	68	66	11825.00	10302.66
FAYOUM	105000.00	131250.00	7	7	15000.00	15000.00						
MINYA	104000.00	141720.00	16	17	6500.00	8177.65						
ASSIUT	102000.00	102000.00	15	19	6800.00	5368.42	235199.00	935198.00	80	92	11653.98	11404.45
SOHAG	103000.00	149460.00	11	11	9363.64	9363.64						
GENA	103780.00	128947.00	10	10	10378.00	10378.00						
ASWAN	105000.00	174600.00	20	20	5250.00	6250.00						
RED SEA	82500.00	84117.00	9	12	5833.33	4375.00	149523.00	129863.12	16	17	9345.19	8795.47
NEW VALLEY	53000.00	55472.00	7	8	7571.43	6625.00	224012.25	224012.25	17	19	13177.19	11790.12
MATROUH	52500.00	65635.00	22	22	2385.36	2386.36	211958.00	211958.00	29	31	7308.90	6937.35
NORTH SINAI	42000.00	52000.00	5	5	8400.00	8400.00	278265.00	244490.00	14	16	19876.07	17391.66
SOUTH SINAI	42000.00	21000.00	6	6	7000.00	7000.00	117100.00	117100.00	8	12	14637.50	9764.33
TOTAL	3907301.77	5840332.29	526	586	7428.33	6667.75	8939947.00	8696182.12	686	811	13031.99	11023.36

* Total Grant = USAID grant + 5 % governorate contribution.

* Actual Spent (1) spent from AID fund + PVO contribution, Actual Spent (2) from AID fund.

* The report shows second cycle data for the available governorates.

TABLES B-9

THIRD YEAR LDII-P PROJECTS (FIRST & SECOND COHORT GOVERNORATES)
by Project Type

Page # 1

	SOURCES OF FUNDS											PROJECT MATURE					
	BLOCK GRANT					ADDITIONAL CONTRIBUTION ←-----Government-----→ ←-----Popular-----→				OTHER FUNDS	TOTAL ALLOCATION		Beha.	Extc.	Comp.	New	Grand Total
	USAID	5% MCP	5% GOV'TE	SUB-TOTAL	%	CASH	IN-KIND	CASH	IN-KIND		ALLOCATION	%					
Water	48,396,920.91	2,419,846.05	2,419,646.05	53,236,613	37.2	376,852	176,275	413,129	1,625,151	0	55,822,020	36.6	126	36	624	144	930
Roads	39,938,387.27	1,996,919.36	1,996,919.36	43,932,226	30.7	2,238,595	0	687,645	705,000	0	47,563,466	31.2	34	5	204	233	476
Wastewater	7,518,436.36	375,921.82	375,921.82	8,270,280	5.8	89,940	183,000	5,000	131,500	0	8,684,720	5.7	1	0	22	18	41
Equipment	1,907,971.82	95,398.59	95,398.59	2,098,769	1.5	35,950	0	1,404	0	0	2,136,123	1.4	0	0	0	61	61
Heavy Equipment	5,034,672.73	251,733.64	251,733.64	5,538,140	3.9	262,700	0	0	0	0	5,800,840	3.8	0	0	1	28	29
Maintenance	3,399,308.18	169,965.41	169,965.41	3,739,239	2.6	27,950	45,000	0	43,100	0	3,855,289	2.5	0	0	45	43	88
Schools	10,441,414.55	522,070.73	522,070.73	11,485,556	8.0	32,186	721,000	105,012	32,361	0	12,376,115	8.1	3	2	295	21	321
Environment	2,445,405.45	122,270.27	122,270.27	2,689,946	1.9	432	0	4,100	9,500	0	2,703,978	1.8	0	0	16	46	62
Building	6,009,113.64	300,455.68	300,455.68	6,610,025	4.6	216,089	531,900	92,761	209,136	0	7,659,911	5.0	9	3	98	180	290
Electricity	4,085,055.45	204,252.77	204,252.77	4,493,561	3.1	142,441	0	215,899	6,901	0	4,838,802	3.2	5	0	50	71	126
Conveyances	933,313.64	46,665.68	46,665.68	1,026,645	0.7	30,000	0	13,000	15,000	0	1,084,645	0.7	1	0	2	13	16
GRAND - TOTAL	130,110,000.00	6,505,500.00	6,505,500.00	143,121,000	100.0	3,447,135	1,662,175	1,537,950	2,777,649	0	152,545,909	100.0	179	46	1,357	858	2,440

End of report

Date: 08/27/89

Time: 11:12:09

B-23

78x

TABLE 1
THIRD-YEAR LDII-P FUND COMPOSITION
(FIRST AND SECOND COHORT GOVERNORATES)

	SOURCES OF FUNDS										PROJECT NATURE						
	BLOCK GRANT					ADDITIONAL CONTRIBUTION <small>-----Government-----</small> <small>-----Popular-----</small>				OTHER FUNDS	TOTAL ALLOCATION		Reha.	Extc.	Comp.	New	Grand Total
	USAID	5% NDP	5% GOV'TE	SUB-TOTAL	%	CASH	IN-KIND	CASH	IN-KIND		ALLOCATION	%					
ASSWAN	8,460,000	423,000	423,000	9,306,000	6.5	13,500	0	3,060	0	0	9,322,560	6.1	6	0	58	74	138
ASSYOUT	9,260,000	463,000	463,000	10,186,000	7.1	26,250	457,900	5,000	168,660	0	10,843,810	7.1	19	0	128	22	169
BENHAI	10,060,000	503,000	503,000	11,066,000	7.7	40,020	159,197	53,820	198,387	0	11,517,424	7.6	8	0	121	49	178
BENI SUEF	8,360,000	418,000	418,000	9,196,000	6.4	2,095,002	343,400	134,394	5,250	0	11,774,046	7.7	9	0	166	48	223
DARIETTA	8,460,000	423,000	423,000	9,306,000	6.5	92,900	0	0	10,000	0	9,408,900	6.2	16	0	61	59	136
DAQHLIYA	9,660,000	483,000	483,000	10,626,000	7.4	21,030	100,000	66,000	248,760	0	11,061,790	7.3	31	44	1	53	129
GHARBIYA	8,860,000	443,000	443,000	9,746,000	6.8	258,508	59,178	839,918	321,277	0	11,224,881	7.4	22	0	158	67	247
ISHKILIA	7,960,000	398,000	398,000	8,756,000	6.1	7,500	0	54,000	0	0	8,817,500	5.8	6	2	18	30	56
MATRUH	4,410,000	220,500	220,500	4,851,000	3.4	0	188,000	50,000	616,600	0	5,705,600	3.7	2	0	16	77	95
HEHUFIYA	9,060,000	453,000	453,000	9,966,000	7.0	3,000	20,000	8,772	74,500	0	10,072,272	6.6	10	0	111	62	183
MIYA	8,760,000	438,000	438,000	9,636,000	6.7	487,500	0	19,204	1,000	0	10,143,704	6.6	13	0	115	43	171
NEW VALLEY	4,410,000	220,500	220,500	4,851,000	3.4	7,500	0	0	0	0	4,858,500	3.2	0	0	33	12	45
NORTH SINAI	4,410,000	220,500	220,500	4,851,000	3.4	5,400	0	10,000	28,526	0	4,894,926	3.2	3	0	94	20	117
QALUBIYA	8,860,000	443,000	443,000	9,746,000	6.8	51,900	0	7,500	0	0	9,805,400	6.4	5	0	28	30	63

Continued next page

**THIRD-YEAR LDII-P FUND COMPOSITION
(FIRST AND SECOND COHORT - GOVERNORATES)**

	SOURCES OF FUNDS												PROJECT MATURE				
	BLOCK GRANT					ADDITIONAL CONTRIBUTION ←-----Government-----→ ←-----Popular-----→				OTHER FUNDS	TOTAL ALLOCATION		Reha.	Extc.	Comp.	New	Grand Total
	USAID	5% MOP	5% GOV'TE	SUB-TOTAL	%	CASH	IN-KIND	CASH	IN-KIND		ALLOCATION	%					
QENA	9,660,000	483,000	483,000	10,626,000	7.4	32,700	0	2,951	754,886	0	11,416,537	7.5	8	0	114	108	230
SONAG	9,460,000	473,000	473,000	10,406,000	7.3	304,425	334,500	283,331	349,803	0	11,678,059	7.7	21	0	135	104	260
GRAND - TOTAL	130,110,000	6,505,500	6,505,500	143,121,000	100.0	3,447,135	1,662,175	1,537,950	2,777,649	0	152,545,909	100.0	179	46	1,357	858	2,440

End of report

Date: 08/24/89 Time: 13:35:21

ANNEX C

**PERSONS INTERVIEWED
AND PROJECTS INSPECTED**

ANNEX C

Persons Interviewed

I. Governorate - LevelA. Governorate of Cairo

- | | | |
|----|-----------------------|-------------------|
| 1. | Dr. Mahmoud El Sherif | Governor |
| 2. | Mr. Mahmoud El Kholey | Secretary-General |

B. Governorate of Guiza

- | | | |
|----|------------------------------|-------------------------|
| 1. | Mr. Mohamed Omar Abdel Akher | Governor |
| 2. | Mr. Moustafa Ibrahim Mansour | Secretary-General |
| 3. | Soliman El Tonsy | Chief of South District |
| 4. | Saad Kamel | L.D. Co-ordinator |

C. Governorate of Kaliubia

Mr. Mohamed El Said	Secretary-General
---------------------	-------------------

D. Governorate of Port-Said

Mr. Ali El-Magairy	Secretary-General Director, Documentation & Information Center
Mr. Medhat Ayoub	
Mr. Yehya Khali	LD II Co-ordinator
Mrs. Faiza Farrah	Head, Land Management Unit

E. Governorate of Damietta

Dr. Ahmed El Goweli	Governor
---------------------	----------

F. Governorate of Alexandria

Mr. Ismail El Gawsaki	Governor
Mr. Mounir Mokhtar	LD II Co-ordinator

G. Governorate of Favoun

Dr. Abdel Rehim Shehata	Governor
Mr. Mohamed Youssif	Secretary General
Mr. Hussein Ezzel Dein	ORDEV Representative

H. Governorate of Beni Seweif

Mr. Abdel Fattah Ghalwash	Governor
Mr. Baher Darwish	Secretary-General
Mr. Abdel Latif Abu El Kheir	ORDEV Representative

K. Ministry of Finance

Mr. Fouad Hassanein	First Under-Secretary
---------------------	-----------------------

- L. Ministry of Social Affairs
Mrs. Zeinab El Naggar Chairman of P.V.O. Sub-Committee
- M. Ministry of International Co-operation
Mr. Ahmed Abdel Salam Zaki First Under-Secretary
- ORDEV
Dr. Ragaa Abdel Rassoul Director and Senior Staff
- Ministry of Local Administration
Mr. Ezzat Mohamed Ali Secretary-General

T.A. Contractors

- A. Chemonics International
Mr. Ashraf Rizk Chief of Party and Senior Staff
- B. EduSystems
Mr. David Osgood Chief of Party and Senior Staff
- C. Wilbur Smith Associates
Mr. Richard Miller Chief of Party and Senior Staff
- D. DAC
Mr. William Rutherford Chief of Party and Senior Staff

Field Inspection VisitsQualioubia (Benha)

1. MIS Center.
2. OMED Office.

Damietta

1. Central Parts Warehouse.
2. Markaz Fareskur Compact Water Unit.
3. Markaz Damietta Maintenance Center.
4. Dakahlia Village Maintenance Center.
5. Damietta Central Garage.
6. Meet Elkholy Village Wastewater Plant.
7. Serw Village Pilot Wastewater Treatment Plant (PWTP)
8. (PWTP)
9. Dagahlia Village Secondary Pumping Station.

10. Barashya Village PWTP.
11. Sharabas Village PWTP.
12. Adliya Village PWTP.
13. Kafr Suliman Village PWTP.
14. Kafr Saad El Balad Village PWTP.
15. Kafr El Ghab Village PWTP.

Port Said

1. Bakery.
2. Outpatient Clinic at Fever Hospital.
3. Library and Auditorium.
4. MIS and OMED Centers.
5. Land Management Unit.

Cairo

1. Zonal Maintenance garage.

Guiza

1. Central Garage (Guiza Cleaning and Beautifying Authority).
2. Medical Equipment Maintenance Center.
3. Om Karam Village Maintenance Center.
4. Library.
5. Clinic.
6. Theater at Saadeya School.

Gharbia

1. Governorate Central Garage.
2. Markaz Tanta Parts-Warehouse.
3. Markaz Tanta Maintenance Center (Water).
4. Kafr El Zayat Village Maintenance Center.
5. Abul Ghar Village Water Pumping Station.

Alexandria

1. Ameriya District Garage.
2. Anfoushi Youth Center and Hostel.

Favoum

1. Abuksah Village Maintenance Center.
2. Markaz Ibshway Compact Water Unit.

Beni Suef

1. Central Maintenance Center (Roads).
2. Harab Shunt Village Water Pumping Station.
3. Markaz Fashn Maintenance Garag (Housing).

ANNEX D
PRE-ASSESSMENT STUDY:
LOCAL RESOURCE MOBILIZATION

LOCAL RESOURCE MOBILIZATION IN LD II

**William F. Fox
University of Tennessee**

**Kenneth L. Kornher
AID, S&T/RD**

August 17, 1989

PURPOSE

This report is the output of a consultancy of the authors with USAID/Cairo/DR/LAD from July 30 to August 17, 1989. The consultancy had two purposes: (1) to analyze the nine draft staff papers on the local resources mobilization component of LD II prepared by the LD II Amana T/A Support Group (DAC International); (2) to review the current status of local resource mobilization as an objective of the LD II program, and recommend changes in approaches or activities that the GOE and the USAID might consider in order to assure good use of program resources over the next three years. The report would not have been possible without generous sharing of time and information by senior GOE officials and USAID staff and contractors. The views expressed are those of the authors.

Introduction

Decentralized government is essential for delivering certain basic services to residents of Egyptian villages and urban communities. A decentralized government form is important because it usually provides a more effective means than a centralized system for people to articulate their service demands. Local people know their own situation, preferences and priorities -- also, what they are willing and able to pay -- far better than central government agencies do. If central government enables them to act on their own preferences (with rules to prevent undue coercion of those whose preferences differ from the majority), people will be better able to obtain the services they most demand, resulting in an enhanced quality of life. Also, people who have been able to participate in their local area's selection and design of the means for delivering services have a greater willingness to contribute to the operation and maintenance of the service delivery mechanisms. This will allow service delivery to be more sustainable. Further, local governments can be held more accountable for service delivery and for providing an acceptable return for resources because consumers of locally provided services are better able to have their concerns heard. Finally, smaller service delivery areas can overcome the diseconomies of overly large management systems, especially when the technologies of service delivery are economically efficient at a scale that matches the size of the local jurisdiction.

Decentralization is an often used, but frequently undefined word. From the perspective of a centralized government, the term decentralization can be used to refer to privatization, deconcentration without delegation of authority, deconcentration with delegation of authority, delegation of authority without deconcentration, and devolution. Privatization refers to transfer of functions from the government or public sector to the private sector. This can occur through sale, contracting and a variety of other mechanisms. Deconcentration refers to relocation of the government's service providing activities from a central location to sites nearer service recipients. This can occur with delegation of authority, which means the field offices have substantial decision-making powers, or without such delegation. Delegation of authority means giving power to local government units to do things for themselves, but need not imply any relocation of central functions or personnel. Devolution refers to transfer of responsibility for service delivery or other functions to a decentralized government. (The concepts of decentralization listed above presume central state sovereignty; sovereignty also can be presumed to arise from geographic units banding together or from the people themselves.)

The probable benefits from decentralization depend on which of the five concepts is the intention. For example, a devolved system may permit a more effective means for articulating service demands than a deconcentrated system which has no accompanying delegation of authority.

The potential to raise resources locally, called local resource mobilization (LRM), is a benefit often anticipated from a decentralized system. However, the role for LRM also depends on the type of decentralization which is anticipated. Devolution and some forms of privatization must be accompanied by LRM. One reason is that people must have control of resources at the local level if they are to really have the ability to make service delivery decisions. They also must have their own sources of revenues if there is to be a continuous flow of resources to fund operations and maintenance. Transfers from the central government cannot be relied upon to permit adequate financing. (Transfers from central governments become especially difficult in times of budget difficulty.) Further, LRM is often the most effective means to raise resources because people are more willing to pay for services where they can see a clear linkage between what they pay and what they receive in services. Naturally this requires quality service delivery. It should be noted that the granting of authority to raise revenues at the local level is probably the strongest evidence of commitment to a devolved government structure.

On the other hand, LRM is neither necessary nor likely to be effective with a deconcentrated system. The responsibility for financing services generally is carried out best if placed with the level of government which is responsible for service delivery. Thus, a deconcentrated system normally would be financed by the central government. In fact, people in each local area may have no incentive to pay additional revenues to a deconcentrated government because there often is no link between what they pay and the level of service they receive.

The Local Development II Program (LDII) was created in 1985 with two purposes: to improve local government's capacity to deliver all aspects of basic services and to improve local government's capacity to mobilize local resources to maintain these services. LDII seeks to help develop an LRM system for local governments (called the public sector component) and a system for PVOs (called the private sector component). Identification of the two purposes illustrates that the project designers presumed that Egypt was moving gradually to a devolved system. Further, they recognized the important linkage between a devolved government system and LRM. The emphasis of LRM in LDII is highlighted by the decision for all three LDII contractors, Chemonics, DAC, and Wilbur Smith, to have responsibility for certain LRM activities.

This report examines trends in Egypt's decentralization process as evidenced by changing capacity for and experience with the public component of LRM. A brief description of the legal trends for decentralization is given after this introduction. The following section reviews other evidence for fiscal decentralization and the role which LDII has played in providing technical assistance and support for LRM. The next examines the contribution which the studies prepared by DAC can play in enhancing the environment for decentralization. The final section provides some direction for future work on LRM.

Legal Basis for Decentralization

Local government budgets in Egypt are one component of the country's national budget, which also includes the central government and the service authorities. Several categories of revenues, including the property and entertainment taxes have been designated as local government taxes (they are categorized as Bab 1 revenues in the local government accounts) and these taxes generally are legislated at a fixed rate and base nationally, so the local governments have little control over the revenues. Further, the sum of these locally designated revenues funds only about 20 percent of local expenditures and bears a weak relationship to the ability to spend resources for local service delivery. Expenditure budgets are substantially determined by a historical budgeting process and by negotiation between concerned Ministers and Governors.

Thus, in terms of their service delivery functions and revenue collection activities, local governments are best described as part of a deconcentrated system with limited delegation of authority. They remain dependent on the central government for ad hoc (i.e., annual) transfers to finance most of their activities and their expenditure budgets are approved by the central government. Fiscal devolution has yet to become a substantial reality in Egypt and signs of change in this pattern are very limited. Studies and analysis of potential benefits of greater GOE fiscal decentralization appear to be in order.

Law 52 of 1975 opened the door for locally generated revenues which could be allocated in the manner desired by local governments through establishment of Local Service and Development Funds (LSDF). Potential revenue sources for the LSDF were expanded by Law 43 of 1979 and include donations, profits from governorate or village enterprises, and several other sources. Still, these funds represent a relatively small percentage of local government resources and essentially all local government services continue to be financed through the combined national government budget.

The most recent changes in local government authority are contained in Law 145 of 1988. Some notable points include:

1. The name is changed from the Ministry of Local Government to the Ministry of Local Administration.
2. The Governors are specifically identified as representatives of executive power in the governorates.
3. The Governors are required to submit reports, budgets, and plans, including investment plans, for Ministry of Local Administration review.
4. The ability of Local Popular Councils to appeal to the Prime Minister when disagreements arise is articulated.
5. The local funds (presumably the LSDFs and the housing and land reclamation funds) are designated as public funds and the concerned Minister (presumably Finance or Local Administration) is authorized to develop rules for expending from them.
6. Certain fees are allowed to be doubled with permission of the Cabinet, the Minister of Local Administration, and the local Popular Council.

A narrow interpretation of this law indicates movement away from fiscal decentralization. One example is the requirement that local budgets pass through the Minister of Local Administration for review. Another is authorization for the central government to establish rules for expenditure of local funds. There could be disagreement between the Ministries of Finance and Local Administration over who has authority and responsibility for this review and what the review entails. The MLA and MOF have a committee to consider guidelines for expenditure of local funds.

However, it is too early to determine with confidence the law's meaning for fiscal decentralization. One reason is that a separate Minister of Local Administration has not been appointed and the Prime Minister is currently handling these duties. The significance of this is open to the interpretation that it represents either greater or lesser decentralization to Governors. Also, the importance of increased review and oversight of local spending depends on how it is exercised. It may be of no real importance in its influence on decentralization if used in a very limited fashion to enhance integrity rather than increase control. On the other hand, some believe that the review can and will be used to reduce the deficit, which means local governments will lose the ability to make decisions with their resources. Use of this authority will need to be followed closely in coming years, but over the coming three years a significant movement toward fiscal decentralization appears unlikely.

Finally, the local government law probably is in transition, as it has been since it was first enacted in 1960. This means additional changes are to be expected. In this case the issue is whether the trend of legislation indicates a move towards decentralization and devolution, not whether any individually legislated action should be interpreted as more or less centralizing. In this regard, Law 145 could be seen as a downward swing in a trend which is otherwise towards devolution.

James Mayfield recently reviewed trends in decentralization and comes to a somewhat different conclusion on Law 145. He believes that the stronger role prescribed for the MLA may buffer the influence of other central ministries and work in the long-run interest of the governorates and fiscal decentralization. Overall, he sees a considerable shift during the past 20 years in the ability of village residents to articulate their service demands to service providers, but he concludes that "neither the centralizing nor the decentralizing forces in Egypt completely dominate." He believes the USAID development programs have been one of the vital forces towards decentralization. Still, it is important to recognize that his yardstick evaluates local popular involvement to measure decentralization, rather than looking at fiscal decentralization and direct local control over service delivery decisions.

Other Signs of Decentralization

Chemonics has described several examples of wastewater systems which illustrate that creative methods can be found for using local means to increase resources for service delivery. Damietta City's wastewater system funds capital costs by expecting newly served residents to make upfront payments equal to their share of the projected expenditure. The system, which has been operating for 20 years, has collected LE 1.9 million since 1983. The Governor of Daqahliya recently issued a decree for a five year plan to fund wastewater systems. An initial charge of LE 10 is made and a LE 0.5 fixed monthly fee is levied for each watertap. LE 2.5 million was collected in fiscal year 1987/88 alone and the revenues are used to make loans for other village systems in the governorate. Meet-el-Kholy village in Damietta imposes a monthly fee of LE 1.0 for each household on the wastewater system and uses the collections, about LE 2250 per month, to fund the system's privately provided operations and maintenance. An additional one-time charge of LE 20 was instituted to fund any substantial maintenance. This is the only known example of a monthly fee to finance wastewater operations and maintenance other than the surtax on water fees, though Governor Gouelli indicated that other villages in Damietta will be adopting the same plan.

Each of these examples demonstrates people's willingness to pay for delivery of a service they demand and which is not being adequately delivered through the deconcentrated structure. Willingness to pay for wastewater services appears to be high enough to allow delivery of the service in an effective manner. The examples also demonstrate that people can find creative means and operational structures to obtain services which are not otherwise provided.

Wilbur Smith's work to develop an Office of Management and Economic Development (OMED) in each of six urban governorates may be a step to a management capability for a fiscal system which is centralized to the governorate level. The current work is focused on expending resources more effectively, rather than on LRM. A limited capability for revenue forecasting is factored into the workplan, but this only represents additional LRM capability if the OMED is integrated in the Governorates' operational systems. Like the self-financing systems described above, these efforts indicate an interest in improving local fiscal capacities.

There are some countervailing forces for centralization. One example is the National Organization for Potable Water and Sanitary Drainage's (NOPWASD) plan to deliver water services nationwide through six or seven regional water companies. Another is the recent creation of a central agency for the construction of school buildings across Egypt, a function which was formerly conducted by local governments. The greater the growth of central ministries and agencies actually providing services or oversight of local governments, the more difficult it is likely to be to move to a devolved system. Interests in employment, bureaucratic perquisites, and promotion opportunities through further growth lead central ministries and agencies to resist devolution of powers they see as their own.

Draft Staff Papers

During the past year a series of nine draft papers, from an initially identified list of ten topics, were prepared on issues related to LRM. The topics were identified through discussions between USAID, the LRM subcommittee of the LDII Technical Amama, and DAC. The research was performed by DAC International, Inc., a U.S. contractor to the LDII technical AMAMA. The Ministry of Finance, which provided considerable background data, and DAC are to be commended for the significant effort which went into these papers. This section reviews them by first providing some general comments and then by dividing the papers into three groups for more specific observations.

First, the conceptual basis for the reports is generally inadequate and the papers are much more descriptive than analytical. For example, the paper on intergovernmental grants fails to give a careful description of grants, when they should be used, and how they should be designed. Also, the papers on taxes provide no framework for evaluating the existing tax structure and the recommendations which are made. These problems could have been overcome by using researchers with more narrowly defined expertise on some of the research topics.

Second, the papers' focus often seems to be inconsistent with the LDII program design. Examples of papers which would have supported the LDII design include how grants could be designed to enhance LRM, how government organization and budget structures could encourage LRM, and an analysis of the role village accounting units could play in a devolved system of government. Instead, the reports focus substantially on topics related to how Ministry of Finance operations could be improved. The shift in focus from the project design may have been seen as justified because the MOP is involved in finance at every level and possibly because the major counterpart relationships are with the MOP. This focus in the papers on the MOP implies that MOP's appropriate role in budget control and accounting is carried into the policy arena. Though the MOP has important input in the process, policy decisions affecting the Ministry often are made by other groups. Further, the function of other Ministries, such as the Ministry of Housing in the water and wastewater sectors, is given relatively little attention in the reports. Perhaps most importantly, the analysis pays only limited attention to how MOP activities can be restructured to enhance the role of local governments. This would have been more consistent with the LDII purposes.

Operationalization of many recommendations within the reports would appear very difficult though there are exceptions such as the use of economic authorities to deliver water and sewerage services. Still many recommendations are bureaucratic and require the formation of committees and ambitious expansion of MOP functions. Others, such as the improvements in the General Authority for Government Services are of such a large scale that they are not useful in the LRM/LDII context. Few of the recommendations appear to be oriented to pilot studies that could be implemented by LDII.

Finally, the texts need to be tightened considerably. The basic points could be made more succinctly and in a manner which makes them more accessible to GOB officials. Related to this, the titles often fail to provide a clear description of the reports' content. For example, only limited attention to intergovernmental grants is contained in the report on this subject.

Papers 1 through 3

The first three draft papers are a bit hard to get hold of because they advocate operational and organizational change of broad scope, and also weave in discussion of broad development "ideas in good currency" which—while they may be inherently powerful ideas—don't necessarily or readily match LD II's agenda, nor are they easy to operationalize. These "ideas in good currency" are:

Local economic development and small enterprise development
 Privatization and "contracting out" of government services
 Reform of public authorities and public administration
 Cost recovery and fees for services

To more readily get at the operational changes proposed, it may be helpful to move these themes to the background, and try to lay out the operational proposals explicitly related to local development that characterize each of the three papers:

- 1) Help local authorities relate constructively to the private sector, play a sensible role in regulation, and gather information about the local economy.
- 2) Help central and local authorities encourage and experiment with "contracting out" of O&M services.
- 3) Help central and local authorities better understand and increasingly utilize intergovernmental grants, though we question the effectiveness of presentation on this topic.

All three proposals would make good sense in appropriate contexts. Only the last of these, in our opinion, represents a good "fit" with LD II in Egypt at this time. Number 1) seems inappropriate to LD II because it would give the project a significantly different purpose and emphasis than the existing agreement does. It would represent a major new departure for the program in its final three years. Number 2) would appear one feasible alternative for discussion and possible action in the context of ongoing and planned LD II support to O&M services by governorates. We do not believe it would be appropriate for a separate new activity. Incidentally, the broad strategy for a GAGS initiative in improving rational management of governmental assets including office space, that is discussed in Paper No. 2 defines an important area for administrative reform, improved government management, and savings that is well worth attention in some broader reform agenda outside of LD II. It is the kind of reform that might fit an IBRD administrative reform support package. We believe that Number 3) is of considerable long-run importance.

However, given Egypt's current severe budget deficit, the prospect of expanding the use of intergovernmental grants in the next few years is dim, though the prospects for restructuring grants in a more effective manner for encouraging LRM may be better. Restructured grants must be part of a devolved local structure. We would favor academic training that better equips selected Egyptians to deal with this important subject.

Papers 4 through 8

The issues being addressed in Papers 4 through 8 are more consistent with the core LRM concerns than are those in the first three. The papers generally offer a good description of the current process and of related data. This may be of limited benefit for the Ministry of Finance since it describes aspects of the system that the MOF operates, but is likely to be of greater value to USAID and some other users.

There are two major weaknesses in this set of reports. First, the conceptual basis on which policy judgments can be made is too weak to allow careful evaluation of the alternatives listed in the papers, or those which would arise from other contexts. Development of such a framework is essential for the dialogue in this area. Second, as a general rule the recommendations continue to be very broad, bureaucratic and often focused on improvements in MOF operations rather than on how to make LRM a stronger reality. They offer relatively few specific ideas which could be tested or adopted in a straightforward manner.

Paper 10: Training

An impressive amount of data gathering and effort has obviously gone into preparation of the training paper. It lays out an ambitious multi-faceted training strategy and realistically notes that the value of staff training is related to personnel management, compensation, and other incentives. Unfortunately, Egypt's severe budget deficit over the next several years will present a most uninviting environment for an initiative of the scope suggested, and the problems and program suggestions laid out go far beyond anything that LD II might undertake.

Much of the proposed activity would not be likely to enhance the environment for LRM or skills directly relevant to LRM. The proposed LRM training program would represent an effort comparable in size to the Sakkara Center, and partly duplicating its responsibilities. As the Sakkara Training Center lays further plans, strong collaboration between the MOF and the MLA would help assure attention to training in accounting, financial management, and other subjects of interest to MOF. With the assistance of MOF, such modules could be included in Sakkara courses.

AID's Role in Future LRM Activities

None of the 1989 end-of-project accomplishments for LRM has been achieved, or is even well on its way, so achievements-to-date in LRM are not cause for much optimism as one considers future AID technical assistance in this area. Still there are several important reasons for continuing LRM assistance. First, devolution of revenue capacity is a very significant reform and changes of such magnitude take considerable time to transpire, as people become aware of the benefits and as political support develops. Second, LRM is essential if the benefits from a devolved government are to be reaped in Egypt. Finally, there are some positive experiences currently underway, such as the wastewater systems in Damietta and Daqahliya, on which to build.

We propose a four pronged approach be used to support LRM activities: policy change, pilot studies, applied research and training. The remainder of this report will explain a possible role for AID in each of these.

The design and operation of future LRM work needs to have a much stronger conceptual basis than past efforts, integrating both financial and economic analysis. In the absence of better conceptualization, there is no framework for deciding if policy changes, pilots, applied research, and training are accomplishing the intended objectives. The existing LDII contractors may be inappropriate for providing this support since their work mostly has been at an operational level. There also is need for much better coordination among the LDII contractors. Considerable overlap in LRM exists and the lessons and approaches must be shared among the contractors. Finally, realistic expectations must be set for continued work in LRM, meaning more modest LRM accomplishments should be anticipated from the remainder of LDII through September 1992.

Policy Change

Changes in GOB policies toward local government are required if LRM is to become a significant means for funding sustainable operation and maintenance of basic services. The changes are fundamental, meaning they must be supported at the highest levels, involving the Prime Minister, Minister of Finance, Minister of Planning, and Minister of Local Administration (if other than the Prime Minister). In the absence of these changes there will be no significant mobilization of resources at the local level in Egypt. But it is recognized that the high visibility of a policy change may be a disadvantage.

At a minimum, policy adjustments will need to occur in the following areas. Local governments must have the ability to set taxes, fees, and other revenue instruments and to retain the revenues locally. Presumably this would allow local governments some ability to set rates and choose revenue instruments without approval of the Prime Minister, but in a way which is consistent with the demand for services in the local area. Popular Councils at the village, district, and governorate levels should participate in any rate setting. Nonetheless, as in other countries it may be appropriate for the national government to set reasonable limits on the local revenue structure. The Ministry of Finance also should establish guidelines for legal and proper expenditures from locally generated sources.

Retaining them locally means that any additional revenues raised through local efforts (or at least the bulk of them) cannot lead to lower transfers from the central government. Local managers can see that they actually have no control over revenues if grants are decreased when additional revenues are raised. In order to assure local governments that grants will not be reduced, the system of grants must be reestablished as block grants or as revenue sharing, so the grant system also must be an important component of the policy discussions.

The best means to restructure taxes, fees and grants so that local governments have an incentive to raise resources may be to move them off the central budget. Indeed, policy changes could have this as the major goal. The planned movement of public sector companies off the budget may set a precedent for such actions.

A less extreme policy modification would be to establish high level support for use of economic authorities in each governorate as the institutional means for delivering services which can be self-financing, such as water, wastewater, and potentially selected health and education services. Economic authorities already are legally established and have the ability to charge for their services and to retain the revenues. They need greater, though reasonable, control over setting prices if they are to have the resources necessary for delivering quality services. Not only is use of economic authorities a less extreme change, but a case can be made in some circumstances that they are a better structure for delivering self-financing services than are devolved general purpose governments.

The LRM papers generally are not targeted on the issues which would be at the center of policy change. For example, their frequent attention to centralizing functions cannot serve as the proper basis for a discussion of LRM. Therefore, they only can serve as background. Selectivity should be used in translating them so as to avoid confusion in the dialogue. The best reports are studies 4 through 8, and it probably would be appropriate to choose for translation into Arabic the several from this group in which the MOF is most interested. The other papers can remain available through the translated executive summary and the English version.

The draft LRM papers contain several recommendations for developing the MOF which may be of value to AID as part of another project or to other donors. Examples are computerization of MOF revenue and expenditure functions and upgrading of the property tax through cadastral mapping. These options can be pursued outside LDII.

Pilot Studies on LRM

Policy change influencing LRM may evolve over a period of time and will require solid information on the advantages and disadvantages of a devolved government structure. Continued work in developing case studies and pilot projects should be supported so that data will be available for the discussions, and for Governors and village leaders to see those service delivery and LRM options which are effective and those which are not. Thus, the intent is to learn what is working and why. Further, in the event that a decision is made that USAID should not seek major GOE policy changes on LRM, case studies are a lower profile, though slower, mechanism to continue developing grass-roots support for locally provided services.

The major constraint to pilot studies is that some of the alternatives desired for testing may not be authorized. The first step in considering policy change may need to be authorizing pilot studies which use institutional structures or revenue instruments currently not authorized. Also, Governors should be identified who are willing to try alternative management forms. These are ones who fit Mayfield's definition of development-oriented Governors. Their ideas should be supported, and they offer the best short-term means for obtaining information on operating systems.

Work on pilots and case studies is the first LRM area where current LDII contractors can work. Chemonics is in the best position to provide technical assistance for pilot efforts because of its responsibility for working directly with service providers. Water and wastewater appear to offer the best alternatives for pilot testing, and some natural case studies are underway such as those described above for Damietta and Daqahliya. Available institutional options should be examined including ownership by public sector companies and economic authorities, operations and maintenance by contracting out, and other appropriate options which are identified. A precise analysis of the legal and management characteristics of each approach needs to be undertaken (or previously collected information collated) so that decisions can be made on which institutional form should be adopted for each function. These options should be pilot tested where feasible.

Similarly, feasible options for pricing schemes should be examined. For example, fees can be per unit of consumption (the WASH report advises against this), fixed monthly charges, upfront assessments, etc. Consideration of these options will be important to measuring administrative feasibility and willingness to pay. Some of this information probably can be collected from past experiences.

Accounting capacities need to be enhanced at all local government levels. Future work should focus on upgrading the governorate and markaz units before moving to the villages. Thus, the village accounting unit should be a lower priority approach for now. But in this vein, the OMED concept is another type of pilot which should be followed to determine the usefulness of a governorate level (as opposed to MOP) financial management capability. Also, the need for OMEDs will be much greater if the policy discussion is effective in obtaining the policy reforms described above.

Applied Research

Research can help set the agenda for LRM and can provide precise analysis of the major issues. One of the most effective means for developing university skills in LRM is through joint research projects between Egyptian university faculty and U.S. faculty and technicians. The decentralization research which is necessary to support any policy change and to evaluate the case study results will be much more effective, both as an education function and for developing useful information, if undertaken jointly with economics and legal faculty from Egyptian universities. Research topics could include willingness to pay for local services, advantages of contracting out, and effects of pricing schemes on service demands, etc.

Careful consideration should go into choice of both expatriate and Egyptian faculty and universities chosen to participate. Where possible Egyptian participants should be chosen from the area in which case studies are being conducted. Thus, faculty from regional universities frequently should be chosen for the research component.

Training

LRM related education should proceed with observational tours, a senior seminar series, and academic training. The observational tours can be a valuable means for alerting policymakers and managers to the options which are being used elsewhere; such tours can encourage creative thinking by demonstrating that there are alternatives to current approaches. Trips to the United States, other countries where decentralization projects are underway, and Islamic countries such as Pakistan can be effective for this purpose. Where possible, these opportunities should include a seminar or training session which would provide a planned focus and a conceptual framework for the tours. Participants in the observational visits should be people who are in a policymaking or senior management position and who have at least several remaining years in their career.

One seminar that could utilize ideas of the draft staff paper number 7 and the Chemonics description of wastewater projects could be titled "An Institutional and Economic Framework for Cost Recovery." This seminar would provide Governors and senior governorate officials with an understanding of how economic authorities could be used for service delivery, why cost recovery pricing is appropriate, and how it can be established.

Academic public finance skills need to be developed within both the government and the academic community to build a cadre of interested thinkers and practitioners on public finance and LRM issues. Master's degrees in public finance or public administration should be a sufficient means for upgrading the skills of people already in government service. These individuals should already hold a Bachelor's degree, should be in the General Secretariat of a governorate, MOF, MOP, or Ministry of Housing, or another agency relying on these skills, and should have many years remaining in their career. The training should be at universities with a concentration in state and local government public finance.

People earning a master's degree are unlikely to directly use their skills in LRM during the coming years since they are unlikely to be in a policy setting capacity. Still, they will develop analytical skills in benefit/cost analysis and tax and other revenue concepts, and these skills will be valuable for each Ministry. Further, these trained individuals will be better able to evaluate the LRM policy options which will be before them for study.

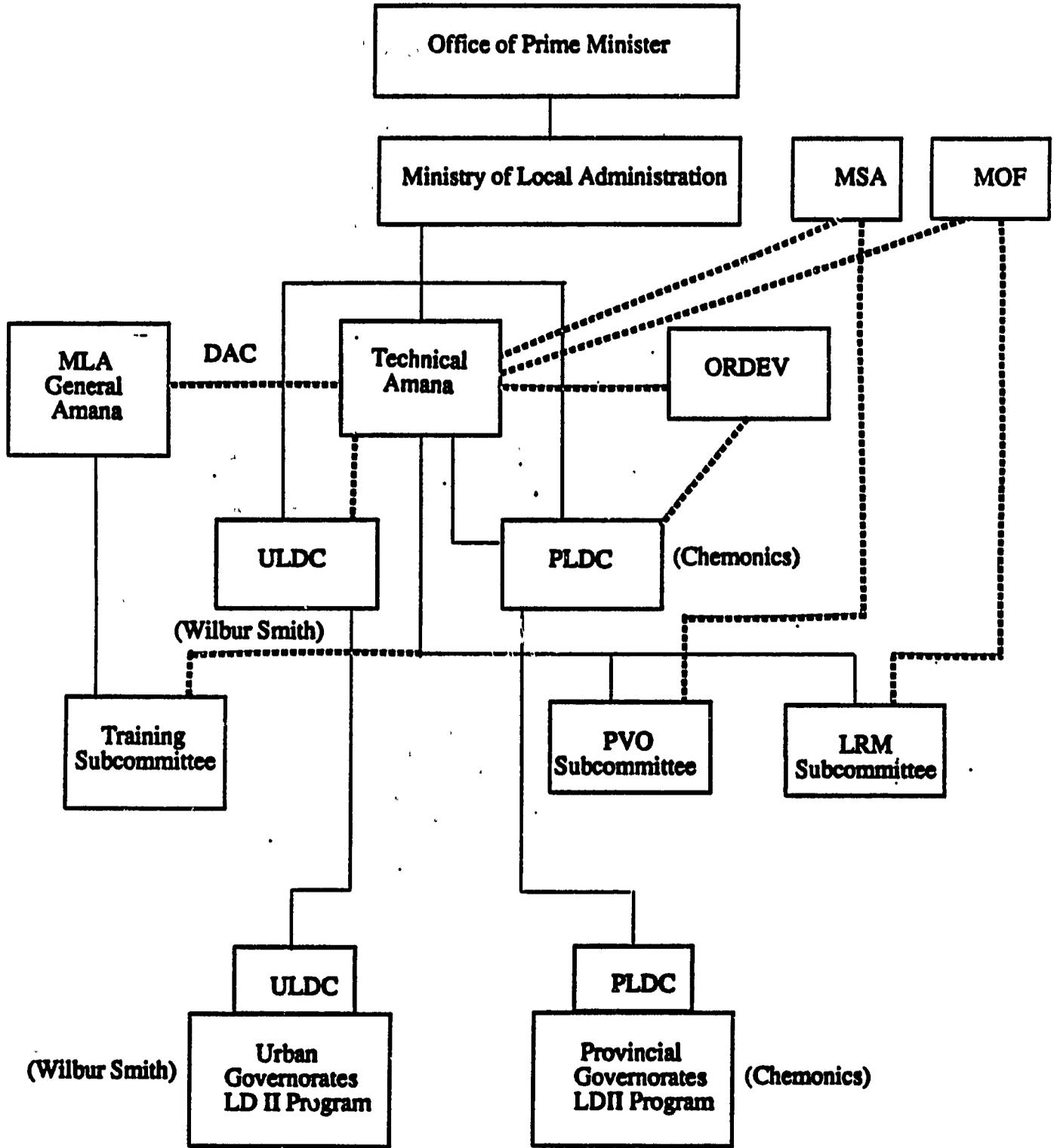
Ph.D. level education for potential university faculty or postgraduate education for existing faculty will be necessary to develop a university-based capacity in public finance. The major benefits of a faculty with expertise in LRM and public finance are intellectual development of LRM and in-country preparation of graduates with a public finance background.

A senior seminar series was proposed for the LDII project. The series remains an effective way to develop thinking on LRM issues and to support a policy dialogue. The series must use as resources some of the very best public finance and decentralization policy experts from around the world and must attract top level Egyptian policymakers if they are to have the intended value. The seminars would be designed to alert senior policymakers to the advantages and disadvantages of a devolved local government system and to create issues papers on major issues. The issues papers would be the major visible product of the seminars and would highlight the important concerns related to various aspects of LRM.

Drafted:WFox, doc:lrmpaper

ANNEX E
ORGANIZATIONAL CHARTS AND
FUNCTIONAL STATEMENTS FOR LD II

Chart I
Organization Chart
(Defined by Project Agreement)



Annex E-2

Chart II
Organizational Chart
(Present Structure)

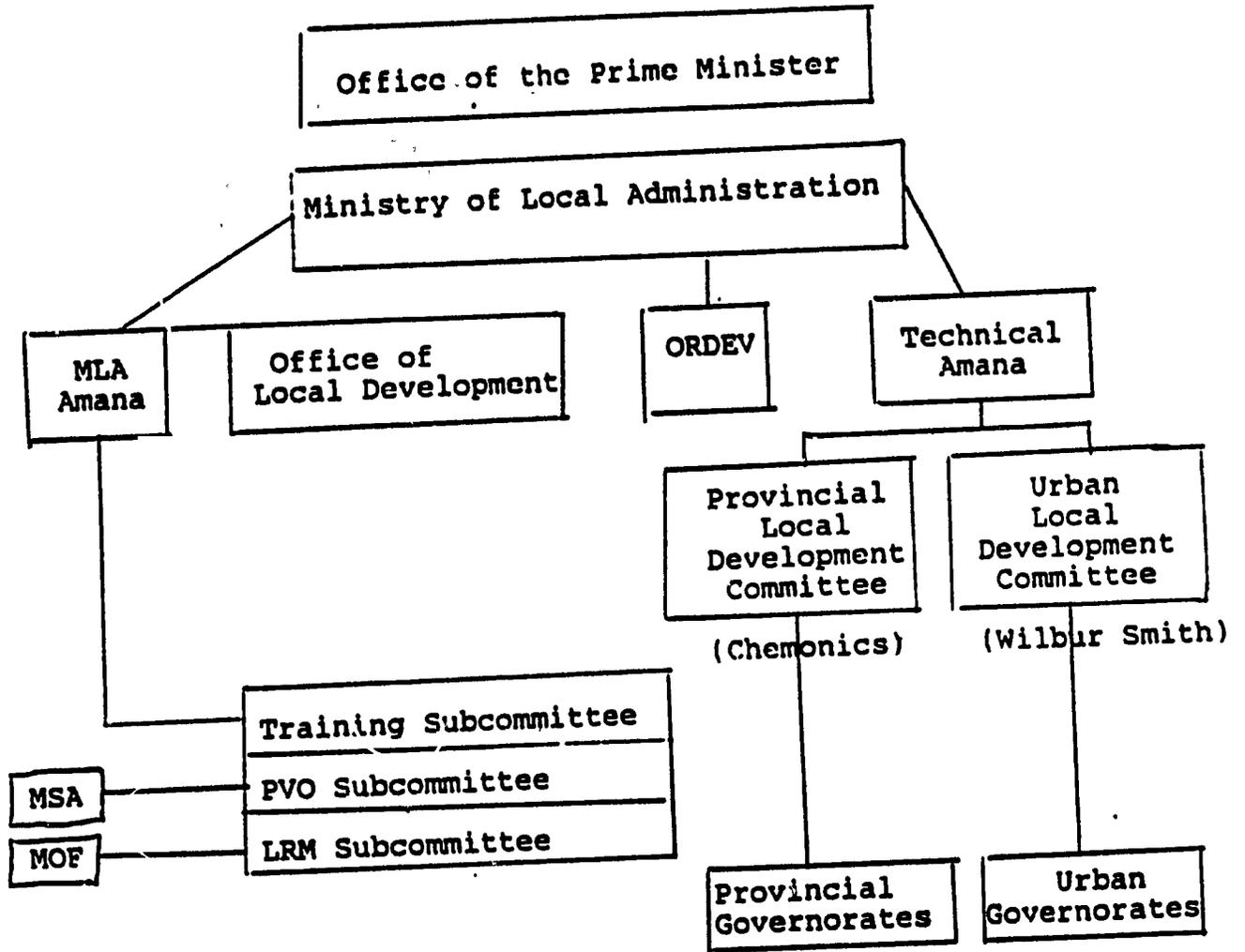


Chart III
Organizational Chart
 Option A
 (Keep Technical Amana)

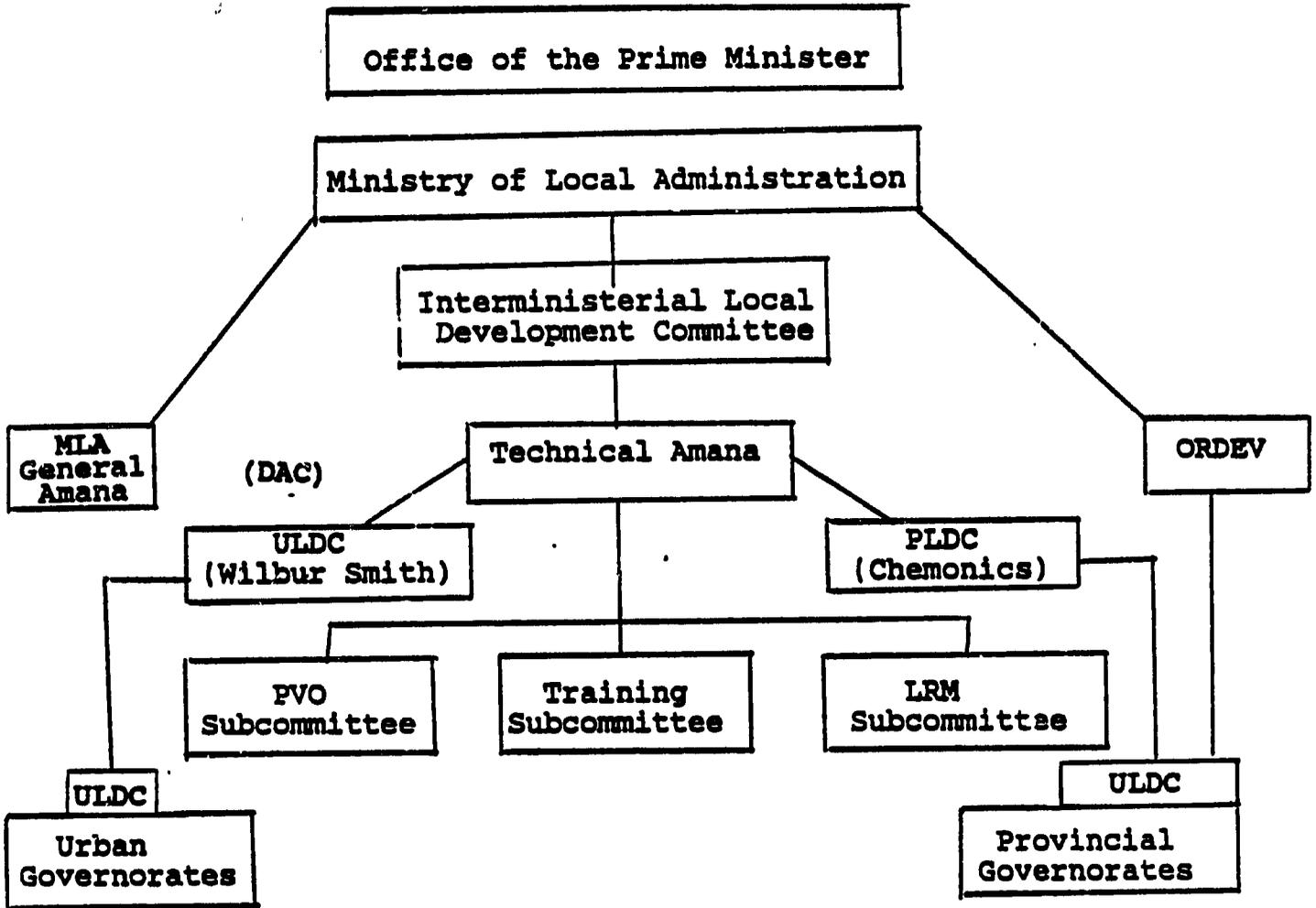


Chart IV
Organizational Chart
Option B
(Use MLA Amana)

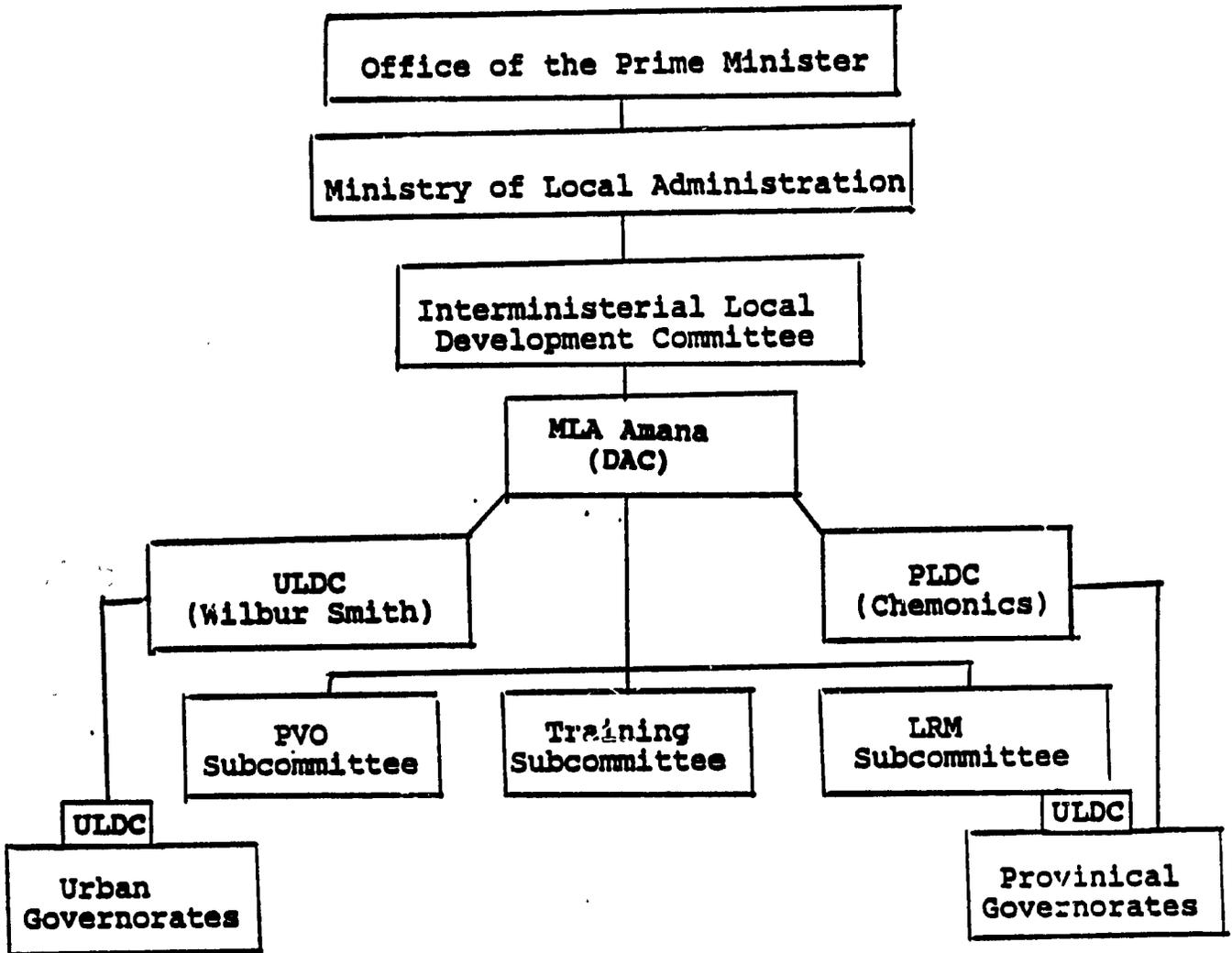
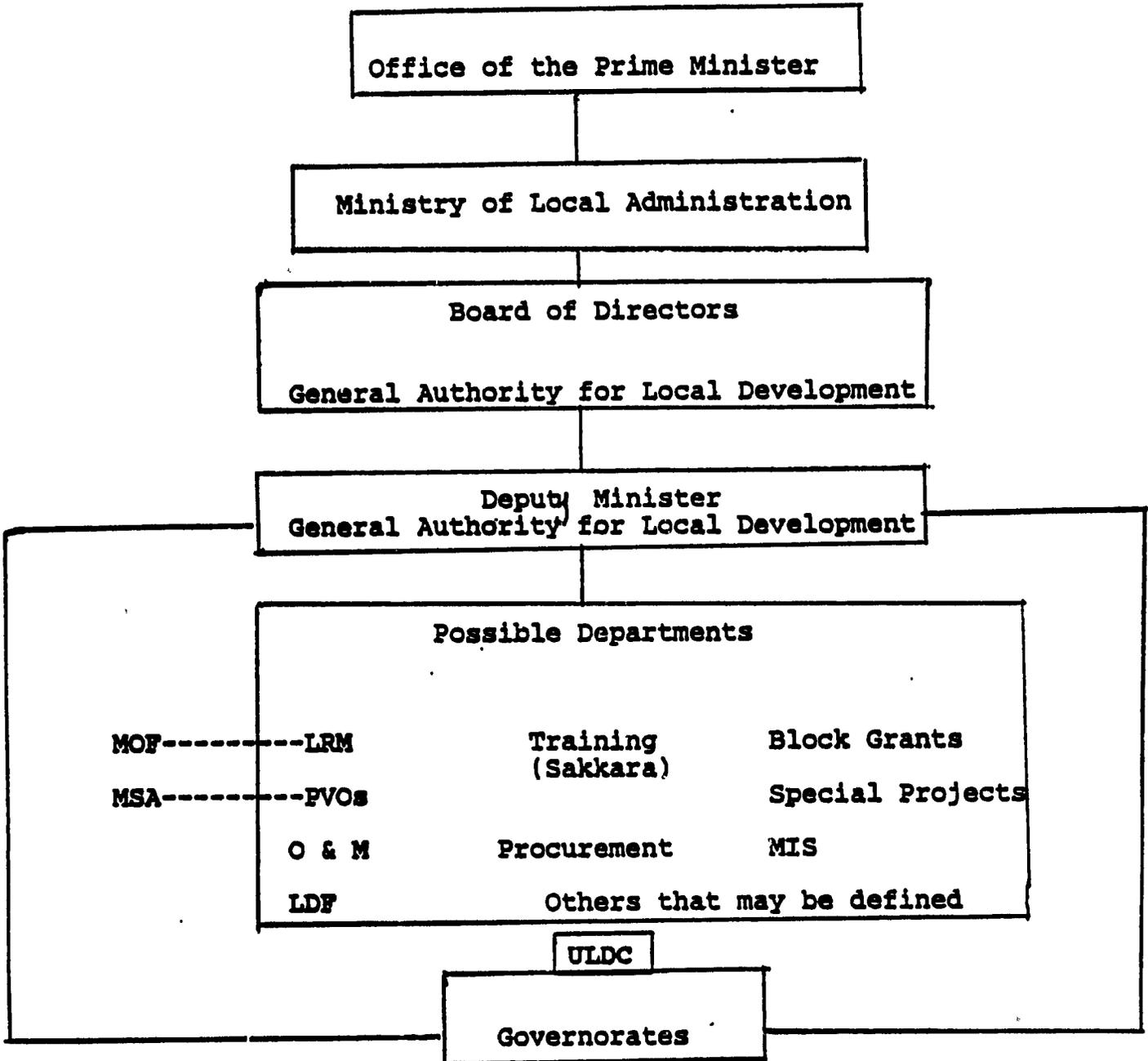


Chart V

Organizational Chart
Option C
(General Authority for Local Development)



MINISTER OF LOCAL GOVERNMENT

Mr. Arthur Handly
Deputy Director
USAID

000264

RETURN TO	DK	DK
ACTION TAKEN		DATE 4/14
NAME		INITIALS

LEG
PPP
DD
DK
Extended 30 days

The Organization for Reconstruction and Development of the Egyptian Village (ORDEV) is the official implementing agency for the LD II Agreement for Provincial Governorates' portion, with regard to study, planning, funding, follow-up and evaluation for projects implemented under the LD II provincial governorates.

Therefore, Mr. Mohamed Salah Eldin Soliman is officially appointed to act as liaison and contact for all correspondence exchanged between ORDEV and USAID for provincial governorates' portion of LD II.

Please acknowledge.

Minister of Local Government

/s/

Prof./ Dr. Ahmed Salama

Received
4/16/87
J.R.

Translated: DR/LAD:MBawab:mb:4/5/87

File: LD II

A. A strategy for the implementation of the General Authority of Local Development.

1. It is the strong recommendation of the Joint US-Egyptian Assessment Team that a permanent General Authority of Local Development be established as soon as possible.
2. It is recognized that such a "General Authority" may require several months to be established. Nevertheless, the issues of local development are too important to postpone any longer.
3. Until such an authority is established, the present structures and functions of the LD-II Program can be somewhat modified to allow the LD II Program to continue over the next three years. Please note that it is the consensus of the joint team that until a formal General Authority is established, the probability that all the objectives of the LD II Program will be achieved in three years is greatly diminished.
4. Given the urgency of this matter, the following action steps are suggested:
 - a. Within a reasonable length of time, a high-level meeting of key GOE and U.S. Mission officials should be convened to discuss the issue of the management and organizational structure of LD II. This meeting will hopefully clarify the relationships, functions and responsibilities of the LD II Technical Amana, the MLA General Amana, the PLDC and ULDC, and ORDEV during the interim period, and initiate a dialogue on how best to establish the suggested General Authority of Local Development.
 - b. It is recommended that the Central Agency for Administration and Organization studies the proposed chart prepared by this team for the establishment of the G.A.L.D. and determined the time limit needed for the implementation of the system.
 - c. It is recommended that the ULDC and the PLDC be encouraged to continue their present functions as the major implementing entities of the LD II program. ORDEV would be encouraged to continue supporting LD II programs in the provincial areas, and some thought should be given to how ORDEV's scope of work might be expanded in the areas of training and coordination of TA contractor activities dealing with LRM and O&M.
 - d. Over the next three to six months USAID and the GOE should develop detailed action plans on how USAID might support the establishment of a "General Authority of Local Development."

B. Functions and Structures of the Various Organizations and Committees During the Transition Period (Pending the Establishment of a General Authority for Local Development).

1. Structure Functions of the Present LD II Organization:
 - a. The present LD-II Technical Amana will have the following structure and functions.

- (1) The technical Amanan would include the chairman of Provincial Local Development Committee, Chairman of the Urban Local Development Committee; five other governors selected from various geographical area: (1) Delta, (2) Middle, (3) Upper, (4) Desert, and (5) Canal areas; and representative from the MOF, MOP, MIC, MSA, and MLA, and ORDEV.
 - (2) The major functions of the technical Amana would be to:
 - (a) Identify and discuss policy issue constraints to the process of administrative and financial decentralization.
 - (b) Recommend specific policy regulation and procedural changes to the Higher Committee of Policies or the reactivated ILDC.
 - (c) Develop broad guidelines and procedures for the achievement of LD II objectives allocated to the next three years.
 - (d) Establish specific criteria by which the investment Block Grant funds will be divided among the governorates.
 - (3) This Technical Amana would meet twice a year. The chairmanship of this committee would rotate between the chairman of the PLDC and the chairman of the ULDC.
2. The Urban and Provincial Local Development Committees will continued to function as before, with the following structure and functions:
- a. The structure of each committee will remain as it is. The PLDC will be chaired by a senior governor. Membership includes the other five governors or their representatives. Others to be invited include representatives from various ministries, TA contractors, and USAID officials. The Deputy Chairman of the PLDC is the Chairman of ORDEV. The ULDC will be chaired by the Governor of Cairo. Membership includes the other five governors or their representatives. Others to be invited may include representatives from various ministries and organizations, TA contractors, and USAID.
 - b. The function of these two committees would be to:
 - (1) Explain and emphasize the guidelines and procedures related to LD II program objectives and activities.
 - (2) Discuss and resolve various problems and concerns of the various governorates officials related to the LD II.
 - (3) Ensure that allocation criteria are being adhered to, that program guidelines are being followed, and that project proposals submitted by the governorates are consistent with the LD II Program.
 - (4) Once all conditions and criteria have been met, the PLDC and ULDC will request LD II Block Grant funding from USAID, and disperse the LD II Block Grant funds to the governorates on a timely and administratively appropriate basis.

- (5) USAID should establish a formula by which Special Project Funds are allocated between the Provincial Development Committee and the Urban Local Development Committee to eliminate the present conflicts and concerns that exist both within staff of the governorates and the staff with the LAD office of USAID.
 - (6) The ULDC and the PLDC will have review and approval authority for all Block Grant projects submitted from the Governorates. Their decisions concerning these projects must be communicated back to the governorates within 60 days; otherwise the project proposal may be considered as having been approved.
- c. The PLDC and ULDC will continue to meet 4-6 times a year as the levels of business and concerns may dictate.
3. The present Staff Subcommittees (LRM, PVOs and training) will continue to function as they have in the past. Their functions will include:
- a. Encourage and organize research, seminars and training activities relevant to their respective sectors, encouraging their respective ministries (MOF, MSA, and MLA) to consider policy and regulation changes when needed.
 - b. Ensure that projects, proposals, and other suggestions being presented for approval are in accordance with present LD II guidelines and procedures.
 - c. Working with the relevant TA contractors and appropriate staff at the governorate level, these staff committees will encourage the implementation of LD II objectives at the local level.
 - d. These staff committees are encouraged to meet at least monthly to ensure that some administrative continuity will be established.

ANNEX F
BIBLIOGRAPHY

ANNEX F
BIBLIOGRAPHY

AID/Egypt.

1985. Local Development II, Project Paper (P.P). Cairo, Egypt.

_____. 1988. Local Development Program; Year End Report, 1988. Cairo, Egypt.

Chemonics/Egypt.

1987. Local Development II-Provincial, General Guidelines. Guidelines for project planning, accounting and monitoring submitted to AID/Egypt and ORDEV. Cairo, Egypt.

_____. 1988. Guidelines for Second-Year LD II-P Planning. Guidelines for project planning and implementation submitted to AID/Egypt and ORDEV. Cairo, Egypt.

_____. 1988. LD II-P: O&M Monitoring Guidelines, Record-keeping and reporting system for use of governorates submitted to AID/Egypt. Cairo, Egypt.

_____. 1988. LD II O&M Planning and Budgeting Guidelines submitted to AID/Egypt. Cairo, Egypt.

_____. 1988, 1989. LD II-P: Monthly Progress Report. Numerous Monthly reports on activities and progress submitted to AID/Egypt. Cairo, Egypt.

_____. 1989. DSF Equipment Inventory. Preliminary report submitted to AID/Egypt. Cairo, Egypt.

_____. 1989. Handbook on O&M of Equipment and Basic Village Infrastructure Projects. Guidelines for planning and implementing O&M system submitted to AID/Egypt. Cairo, Egypt.

EduSystems/Egypt.

1989. LD II Pilot Maintenance Centers: Framework of Objectives. Action plans for project implementation submitted to AID/Egypt. Cairo, Egypt.

_____. Undated. LD II Pilot Maintenance Centers: Preventive Maintenance Manual; Fixed Plant. Maintenance procedures for pump stations submitted to AID/Egypt. Cairo, Egypt.

_____. Undated. LD II Pilot Maintenance Centers: Preventive Maintenance Manual; Power Equipment. Maintenance procedures for heavy equipment submitted to AID/Egypt. Cairo, Egypt.

Fox, W.F., and K.L. Kornher.

1989. Local Resource Mobilization in LD II. Report on the status and future approaches to resource mobilization submitted to AID/Egypt. Cairo, Egypt.

General Amana of MLA.

1979. The System of Local Administration and Executive Regulations. (Arabic Version). Cairo, Egypt.

Mayfield, James B.

1989. Strategic Assessment of the Policy Environment for Decentralization Reform in Egypt. Report submitted to AID/Egypt. Cairo, Egypt.

- _____. 1989. Village Council Study: A Comparative Analysis of Village Council Effectiveness. Cairo, Egypt.
- Ministry of Social Affairs.
1989. PVO Second Cycle: Financial Tracking Report. Cairo, Egypt.
- ORDEV/Egypt.
1989. Guidelines for Third-Year LD II-P Planning. Cairo, Egypt.
- WASH. 1988. Guidelines for Implementation of Village Water and Wastewater Systems. Report submitted to AID/Egypt. Washington, D.C.
- _____. 1988. Report on Assessment of Village Water Systems in Egypt. Report submitted to AID/Egypt. Washington, D.C.
- Wilbur Smith, et al/Egypt.
1987. NUS: Trainers Manual, Kardex Systems, Spare Parts Warehousing. Training course submitted to AID/Egypt and GOE. Cairo, Egypt.
- _____. 1988. Local Development II Urban Project: Final Diagnostic Report. Program strategy report submitted to AID/Egypt and GOE. Cairo, Egypt.
- _____. 1988, 1989. LD II-Urban Project: Monthly Progress Report. Numerous monthly reports on activities and progress submitted to AID/Egypt. Cairo, Egypt.
- _____. 1989. LD II-Urban Project: O&M Needs Assessment. Report on maintenance needs of six governorates submitted to AID/Egypt. Cairo, Egypt.
- _____. 1989. LD II Urban Project: Roads and Streets Maintenance, Port Said Governorate. Report on road maintenance management in Port Said submitted to AID/Egypt and GOE. Cairo, Egypt.
- _____. Undated. Neighborhood Urban Services Project: Preventive Maintenance Manual for District Service Vehicles and Equipment. Procedural manual submitted to AID/Egypt. Cairo, Egypt.
- _____. 1989. LD II-Urban: O&M Needs Assessment. Report on needs of six governorates submitted to AID/Egypt. Cairo, Egypt.

ANNEX G
SUMMARY BIOGRAPHICAL DATA:
ASSESSMENT TEAM MEMBERS

ANNEX G

SUMMARY BIOGRAPHICAL INFORMATION:
ASSESSMENT TEAM MEMBERS

Mr. James W. Dawson, co-team leader, retired from AID in 1986 after a twenty-two year career devoted primarily to rural development, especially rural infrastructure, in five Asian and African countries. Prior to joining AID, Mr. Dawson spent seven years in the private banking and finance sector in the U.S. He holds a BS degree in Business Administration and an MPA degree in Development Administration.

Dr. William F. Fox is Associate Director in the Center for Business and Economic Research and Professor of Economics at the University of Tennessee, Knoxville. He has a wide variety of experience over the past seven years examining issues in public finance and local resource mobilization in developing countries, with a particular emphasis on Egypt. He holds a BS in Business Economics, and MA and PhD in Economics.

Mr. Abdel Latif Hafez Ismail, co-team leader, is a macro-economic planner who served for thirty-one years with the Ministry of Planning. At the time of his retirement in 1987 he held the position of 1st Secretary for Regional Planning. He was subsequently appointed as an UNCTAD Expert in trading and pricing policy in the Yemen Arab Republic. He holds a B. Commerce from Cairo University and a Diploma in Economic Models from the Centre d'Etudes des Programmes Economiques in Paris.

Mr. Ali M. Kamel is a Professor Emeritus and former Dean of the Faculty of Engineering, Ain Shams University, Cairo. Since retirement from Ain Shams, he had held a number of consulting assignments within Egypt and served as the UNESCO Chief Technical Advisor to the High Institute of Technology, Basrah, Iraq. He holds a BSc in Engineering from Cairo University, a Ph.D from St. Andrews University, Scotland. He is a Chartered Mechanical Engineer and Member of the Institution of Mechanical Engineers, London; Corresponding Member of the VDI (West Germany).

Mr. Philip S. Lewis retired from AID in 1981 after eighteen years of service as an engineering officer involved in the planning and administration of rural infrastructure programs (Thailand and Vietnam) and public works and industrial projects (Turkey and Egypt). After retirement from AID, he served two years with the Asian Development Bank. Prior to AID, Mr. Lewis spent eleven years with a consulting engineering firm engaged in major highway design. He holds a Masters Degree in Public Works Administration and professional registration in several states.

Dr. James B. Mayfield is a senior Rural Development specialist with twenty-five years experience in rural project design and implementation. He is currently the Director of graduate Studies in Development Administration, University of Utah. He has conducted research and evaluation for USAID, the IBRD, and the Ford Foundation in Egypt, Tunisia, Sri Lanka, Indonesia and the Philippines. He is the author of three books and numerous articles in the field of development. Dr. Mayfield's specializations include: training in organization and management development systems, integrated rural development and local government reform.

Dr. Ahmed Salem retired from the Ministry of Finance in 1988 after thirty-nine years of government service. During the last thirteen years of service he held the rank of First Under Secretary. Since retiring he continues to serve as an advisor to the Ministry and to the National Investment Bank, and is a member of the board of the Central Bank. He has also served as the Executive Director of the Islamic Development Bank in Jeddah, Saudi Arabia. Dr. Salem holds a Bachelor's Degree in Commerce, a License in Law, a Master's Degree in Public Finance and a Ph.D. in Economics.

Dr. Hamdy Al-Hakim retired in 1986 after twenty-four years of government service, the last nine of which were spent as the Governor of Fayoum and Minofia provinces. Prior to that he served for ten years as an Under Secretary at the Ministry of Health. At the time of his retirement he was the Chairman of the Provincial Subcommittee of the Local Development II Project. Since retirement he has been associated with the firm of Private Consultants Associates. Dr. Al-Hakim holds B.S. Degrees in Agronomy and Chemistry, and a Ph.D. Degree in Pharmacology. He is a member of the Shura Assembly.

ANNEX H

**LD II PROGRAM - AN ASSESSMENT OF
ALTERNATIVE MANAGEMENT STRUCTURES**

Annex H

**Strategic Assessment of the Policy Environment
For Decentralization Reform in Egypt**

James B. Mayfield

June 1989

Part I
An Analysis of the Policy Environment
For Decentralization Reform in Egypt.

1. USAID has supported a policy of governmental decentralization in Egypt for nearly fifteen years - first with research and training grants, then local enterprise development through DD-I, and finally local infrastructure development and local council capacity-building through the BVS/NUS and LD-II.

Decentralization Sector (FY)	Support I Budget (\$)(000)	Life of Project
Development Decentralization I	26,200	1978-86
Basic Village Services	225,000	1979-87
Decentralization Support Fund	100,000	1980-90
Neighborhood Urban Services	89,000	1982-87
Sector Development & Support	10,000	1982-92
Sub - Total	450,000	
Local Development II	341,000	1985-92
Total	791,000	

2. These projects, which were supported through block grant funding and technical assistance, were largely defined, conceptualized and defended on the basis of five key assumptions - most of which were accepted more on faith and normative commitment than upon any empirical evidence, especially from Egypt itself.

BASIC ASSUMPTIONS JUSTIFYING LOCAL DEVELOPMENT AND
 DECENTRALIZATION

A. The GOE would be willing and able to pursue a program of financial and administrative decentralization and USAID resources would complement and reinforce the GOE's apparent commitment to this endeavor.

B. Decentralization is an appropriate strategy to fill what has been called the "organization gap" (Uphoff and Esman, 1974) between Egypt's central government ministries and the rural communities which made up two-thirds of the population in the mid-1970s. Building the capacities of local government was accepted as an important part of Egypt's efforts to strengthen local service delivery systems in health, education, and social services. Such local institutions would thus become "mediating structures" (Berger, 1977) available to strengthen local accountability, local program assessment and planning, and local resource mobilization activities.

C Decentralization and local participation are the twin processes through which grass-roots democracy may be stimulated and strengthened in rural Egypt over time. Democratic government requires a strong, self-sufficient local government system based upon notions of local popularly elected councils willing and able to represent the interests and concerns of the local citizenry.

D. The commitment to decentralization was clearly reinforced by the writings of key organizational theorists of that period - who were arguing that effective governmental organizations can be improved through greater local autonomy, increased local decision-making powers, and more local membership participation.

E. Several well respected development scholars of that day were also espousing concepts such as local institution building (Uphoff and Esman, 1984), local capacity building (Honadle, 1982), and learning process approaches (Korten, 1980) as useful program strategies guaranteed to ensure more effective implementation of rural development programs.

3. The DD-I, BVS/NUS and LD-II portfolio of programs and projects were all structured and legitimized through a general acceptance of these five assumptions. While the literature on development administration is replete with many examples of how greater decentralization has proven to be useful in implementing rural development programs (Johnston and Clark, 1982; Chambers, 1983; Rondinelli, 1937), still given the many problems facing Egypt today, there are some who would question this approach for Egypt. Those who would criticize these kinds of USAID funded projects (DD-I, BVS, LD-II) have generally approached the problem with their own set of assumptions that are equally open to question and challenge.

BASIC ASSUMPTIONS CHALLENGING LOCAL DEVELOPMENT AND DECENTRALIZATION

A. Rural Development planning is best implemented through central government ministries which use the latest concepts of human resource administration, strategic planning, modern management techniques, and appropriate computerized information systems to ensure better central monitoring and control of scarce resources. Resources will be better used, more equitably distributed, and will provide for greater development impact - to the extent that such resources are controlled and disbursed through a central ministry system (Education, Health, Agriculture, etc.).

B. The GOE clearly has a centralized structure of government with little presently being attempted to financially and/or administratively decentralize authority or resources down to the local level. The present Local Government Law 145 (1988) announces that all local units of government are part of a central administrative system - not a local government system. Given this fact, it appears reasonable to work through the existing central government system.

C. While capacity building and institution building may sound good, the "reality" is that local government institutions in Egypt are not improving. There is no "hard" evidence that local councils are today more effective than they were five years ago. Real rural development is best measured in "brick and mortar" terms with appropriate cost-benefit ratios and/or engineering criteria being the only sound basis upon which program effectiveness can be judged.

D. Technically speaking, at the present time there is no Minister of Local Administration/Government. The Prime Minister, who has assumed the portfolio of the Ministry of Local Administration, unfortunately has little time to give much attention to the issues and problems facing both the ministry and the LD-II Program - nominally assigned to this ministry. Once it is assumed that a USAID program must be attached to an existing Ministry to be effective, it is not difficult to see why some might assume that the LD-II Program may not be functioning at an optimal level of performance.

SOME REFLECTIONS ON THESE ASSUMPTIONS

4. In order to assess the validity and appropriateness of all of these assumptions, it may be useful to review the political environment through which these assumptions need to be confronted and tested. Egypt is a complex society which makes quick generalizations very dangerous and simple explanations very misleading. I shall not attempt to describe the present political environment in Egypt in any detailed way. Other scholars have done this for us (Waterbury, 1985; Binder, 1978; Hinnebusch, 1985; Springborg, 1988). What I should like to do is to outline in a brief way some of the conditioning factors that make the assumptions of both "camps" less than helpful when one seeks to assess the LD-II program.

On the question of decentralization vs. centralization - which approach best reflects the "reality" of Egypt - the immediate response, of course, is that it depends with whom you are speaking. It also depends upon whether you are describing the question in ideological terms, program implementation terms, policy reform terms, administrative decision-making terms, etc. I prefer to conceptualize this question in terms of six competing

forces - each representing a different perspective - each with a slightly different temporal orientation, and each representing different vested interests and different political, economic and social concerns.

5. THREE FORCES OPPOSING DECENTRALIZATION

A. At the highest levels of the Egyptian government is a generation of civilian and military officials whose careers extend back into the 1960s and early 1970s - whose experience and orientation is to the days past when central planning was the key to development processes, the public sector was the only appropriate instrument for social justice and effective delivery of services, and national security issues dominated most organizational and institutional activities. This is a force from the past, but it is waning as a new generation of government officials take their place.

B. Within most of the key ministries of government, there is a force of administrative competency and experience that questions the ability and/or the willingness of local units of government to effectively implement public programs. Such officials firmly believe that it would be irresponsible to turn resources and programs over to local units when they have neither the educational background, the administrative experience, or the management skills needed to deliver government services. While many of these officials may accept the "principle of decentralization" as a long-term goal, their personal orientation is toward the future -with meaningful decentralization still years away.

C. The dominant Democratic Party in Egypt is not an easy institution to assess. There are elements within the party who favor a more tightly controlled process of candidate selection, who have serious concerns about the opposition groups in the Egyptian society. These statements are made with no negative intent - merely to note the tendency of some people to prefer a more centralized system. However, there are others within the Party who genuinely believe that the Democratic Party upholds the value of a multi-party system as espoused by a law issued by the National Assembly in August 1977. Such people have worked hard to integrate the opposition parties into the Peoples Assembly and Shura Council and openly advocate free and open elections. I see this force in Egyptian society as transitional - linking the present with the future and becoming a long-term advocate for greater decentralization through locally elected popular councils.

6. THREE FORCES ENCOURAGING DECENTRALIZATION

A. review of the many local administration/government laws passed since Law 124 (1960) demonstrate a small but growing force of elected officials willing to argue and debate legislation strengthening local government decentralization. As will be explained later in more detail, this group sometimes wins and sometimes loses in their parliamentary efforts to reform the local government system of Egypt.

B. An often ignored, but nevertheless, extremely important force which is encouraging decentralization includes intellectuals, journalists, and university faculty members. Many of these people are committed to seeing Egypt moving to a more open democratic system; who, in their writings and lectures, define and analyze the advantages and benefits to be accrued through a more decentralized system. Since most westerners living in Egypt do not read Arabic, they are often totally unaware of the intellectual fervor surrounding the questions of democracy, decentralization and local participation. (Ali E. Hillal Dessouki, 1983; Boutros Boutros Ghali, 1983; El-Sayyed Yassin, 1985; Yahya Gamal, 1988; al-Sharkawy, 1987). For people who might argue that there is no empirical evidence that local councils can be effective institutions for program planning and implementation obviously have not read the many theses and dissertations of the past two decades documenting the impact of these popular councils in stimulating greater awareness, demanding more governmental responsiveness, and collecting local resources to augment central government funding. (See Appendix E)

C. Perhaps potentially the strongest force for decentralization emerging in the past half decade or so, is a group of governors who have grown accustomed to the sources of revenues and investment capital from various international donor agencies. Few people appreciate what it means to provincial governors to suddenly have an extra five to ten million pounds a year to spend on projects over which they have some exclusive control. The LD-II program, more than any other USAID project, has provided these local governors and their staff with block grants of funds which can be used directly to meet the locally defined needs of their provinces. While cynics may challenge the assumption that such projects really reflect the actual needs of the villagers themselves, few can ignore the fact, that for the first time in Egypt's history, thousands of schools, roads, water systems and other locally determined projects have been designed and implemented through provincial, district and village officials and local popular councils. Such projects often do not meet western standards of engineering design and implementation quality, but for many of these governors, they represent a visual benefit of greater decentralization.

If one goes back to the mid-1980s, to see if such decentralization efforts have had much impact, it may be difficult to document - but if one is willing to go back ten, twenty years, the increase in capacity, interest, and motivation is phenomenal. Read the works of Berger, 1955; Vatikiotis, 1961; Mayfield, 1971; and Baker, 1978 if you want to understand the "old" bureaucratic system of the 1950s and 1960s. While current writers complain of Egyptian bureaucratic inefficiency and red tape, I should like to emphasize the new forces emerging in urban and rural Egypt - forces symbolized in the attitudes and behaviors of a new breed of governors - still a minority, but clearly representative of a new trend. (See Part III of this report)

7. While some people may be arguing that there is no evidence that the GOE is really committed to the LD-II Program, I would argue first that such statements should only be made after one talks to the governors themselves. Secondly, it is important to remember that most channels of information between USAID and the GOE are not in favor of a decentralized system. Thus it is well to remember that the forces obstructing and/or facilitating decentralization in Egypt are best seen as a set of countervailing pressures in the society - with neither set of forces entirely dominating at any given point in time. Thus programs like DD-I, BVS/NUS, and LD-II have played and continue to play a role at crucial points in time - providing resources, training, and technical assistance to those forces in Egypt which aspire to greater local government autonomy, increased local participation, and greater local resource mobilization. To significantly cut or curtail the LD-II Program would be to destroy one of the few incentives available to these "development" oriented governors and their key staff. (See a later section of this report which seeks to conceptualize two very different types of governor - the "status quo" and the "development" oriented governors).

8. The present financial situation in Egypt does not bode well for decentralization. The current demands of the IMF and the World Bank for greater deficit reduction, structural adjustments and policy reforms all imply a greater degree of control and coordination at the central government level. The Ministry of Finance, in particular, has demonstrated its unwillingness to decentralize significant financial authority to the local levels. This report should be interpreted neither as optimistic nor pessimistic in its assessment of whether decentralization is increasing or decreasing in Egypt's present political and economic environment. While it is important that we have some sense of what the possibilities for decentralization might be in Egypt, it is far more important that we understand the advantages and disadvantages of a program committed to strengthening local government institutions, that we understand how local resource mobilization activities can impact on central government efforts

to help curtail government deficits over the long-term, and that we understand the consequences for project implementation as local government institutions are improved. An understanding of these kinds of issues are extremely relevant to the long-term viability of the LD-II program presently being implemented in Egypt.

Part II
Managerial and Institutional Interventions Appropriate
For Egyptian Local Administration Reform

This section of the report will seek to describe some alternative governorate-level management systems to be more supportive of the development process. Such organizational changes hopefully will provide the incentives for governorate staff to improve performance, effectiveness, and local accountability.

One common neglect in Egypt's local administrative system has been the lack of any careful analysis of the role that executive officials (Governors, District Chiefs, and Village Chiefs) might play in improving project/program performance. As a result of this neglect, Egypt's administrative structural ability to design and implement managerial reforms appropriate to the political and cultural realities of Egypt has not improved consistently with Egypt's new endowment of international donor resources.

During the previous ten years, significant technical assistance has been funded, sensitizing local officials to the importance of proper engineering, accounting, and project design requirements. This focus on planning techniques has led to the belief in Egypt that proper design work, feasibility studies, and appropriate cost-benefit analysis hold the key to performance and effective implementation. In recent years the literature on Development Administration has documented that such planning procedures may be necessary but are not sufficient for program success, and that the key processes of implementation, operations and maintenance, and long-term sustainability require specific managerial and institutional interventions often overlooked in the Egyptian bureaucracy.

The focus of this section is to contrast the administrative system that has tended to dominate in Egypt under Nasser and Sadat with a slowly emerging new system of the Mubarak period. The earlier systems tended to emphasize control and security, functioned through a fairly rigid top-down hierarchical system of decision-making, with conformity to a centralized system of rules and regulations being the only appropriate way to deal with problems. A new system of administration is beginning to appear which is less concerned with conformity and more focussed on results, which encourages greater autonomy and risk taking. Such a new system is less status quo oriented and more change and development motivated. While most governors of the 1960s and 1970s had a police or military background, today there are many governors with a variety of different backgrounds - who are more sensitive to the economic and social problems of their people, who are motivated to work with both the public and private

sectors, and who see the necessity of developing greater teamwork among their own staff and various ministerial representatives working within the area of their jurisdiction. Such administrative officials are still somewhat few in numbers, especially given the various forces encouraging centralization.

What this section will seek to do is to identify and describe a variety of managerial and organization development interventions, found useful in many Third World countries, which also may prove useful to the governors and district chiefs in Egypt. From a careful review of the literature on Development Administration/Management (See: White, 1987; Johnston and Clark, 1982; Rondinelli, 1986; and Hage and Finsterbusch, 1987), it is possible to identify the characteristics and behaviors of high performance managers responsible for development programs (economic, social and political) either in a geographical area or in a specific sectoral program area. The material reviewed suggests that effective development managers must understand the environment in which they work and must be willing to consider and use a wide variety of managerial and administrative innovations, both strategic and tactical.

In order to clarify the issues being presented one must seek to distinguish between what may be called an "administrative manager" (one who seeks adherence and conformity to a higher centralized administrative system, who sees his responsibilities mainly in terms of spending the budgetary resources given to him, and who seldom considers the impact of such resources on the economic and social realities of his area of responsibility) and what might be called a "development manager" (one who seeks to achieve specific results - development goals - both within and outside the bureaucratic system, who understands that while an administrator seeks merely to ensure that his budgetary allocations are properly accounted for, a manager must equally be concerned with the quality of the services being given and what impact such services are having on the lives of people in his area.

While this role of the "development manager" may be played at the governorate, urban or rural district or village levels, for the purposes of this report, we will be focussing on the governorate level - seeking to identify the basic pre-conditions necessary for a governor and his staff to become more development oriented.

A first assumption of this analysis begins with the notion that development and change in society must be conceived more as a political process than as an administrative process. Such a process requires the release of energy within people far more than the distribution of services, a process that involves developing political commitments, bargaining, and appropriate coalition building. Some economists tend to emphasize the

availability and efficient allocation of resources and to assume that with proper disbursement of resources then the results planned for will be forthcoming. This "turn-key" approach to development invariably tends to ignore the "nasty problems" that characterize the processes of implementation.

Another approach to development tends to focus on the role of leadership in the implementation of such programs. Any careful review of different governorates in Egypt will quickly document that the leadership styles of the different governors create very different policy implementation environments, each with different abilities to inspire and stimulate greater productivity and commitment within his staff. Such an approach might imply that personality factors are key to our definition of the "development manager."

Undoubtedly, both adequate investment capital and inspiring leadership styles can be helpful - yet we all know of programs with great resources, which have generated very poor results and we all know of committed leaders who have been unable to solve the sticky problems of social and economic change. Numerous other variables are obviously involved in the successful implementation of self-sustaining development programs. The literature is full of studies documenting the importance of decentralization, local institution building, beneficiary participation, organization design and training and the importance of program context and content.

Professor Samuel Paul has argued very persuasively that, while all of the previously mentioned factors are important, few have understood the inter-relationships among these relevant variables and generally have failed to recognize the possibility that performance might be influenced by varying combinations of these variables operating under different conditions (Paul, 1982). David Korten has called such an approach "Strategic Management" a form of management actions which seek to influence the design and orchestration of the strategy, organizational structures, and processes of a development program in relation to its environment (Korten, 1984). Managers concerned with strategic management focus on involving their staff in long-term choices and interactive decision-making concerning the goals, the resources, the incentives and action plans - factors which too often are ignored in most planning documents.

Such processes, including planning, controls and incentives, will require procedures and structures reflective of the cultural and social interactive patterns of Egyptian society. Egypt's administrative system, through which an Egyptian governor must function - if he is to shift from being status quo to change and development oriented, will require a new set of organizational arrangements, allowing for more flexible distribution of

authority, a more open reporting relationship based upon mutually acceptable performance criteria, and commitment-inducing incentive systems.

A "Development Oriented" governor in Egypt will need to consider the interplay of at least three crucial roles that must be performed. First, he will need to establish a strategy that is both consistent with long-term policy objectives of the Egyptian government but also reflective of and appropriate for the environment in which such a strategy would be implemented. Secondly, such a governor must be sensitive to which structural characteristics of Egypt's bureaucracy are presently an obstacle and which will be facilitative to development goals and what new distributions of authority, reporting relationships and staff interactions might be useful in strengthening the processes of development. Thirdly, special care will be required to ensure that participation and monitoring processes are consistent both in developing human resources within the governorate's administrative system, but also conducive for increased social energy and popular involvement within citizens at large.

A Specific Set of Managerial Interventions Appropriate for Egypt

A review of successful rural development programs throughout the Third World suggests a series of specific characteristics which appear consistent with trends already observable in Egypt.

1. Local Implementation Flexibility - First it should be noted that in most successful programs, development managers were given broad goals to achieve and then given significant autonomy and flexibility in determining the most appropriate means to achieve the desired end. The Central Government of Egypt has through a series of Five Year Plans sought to articulate long-term goals and policy priorities. If properly interpreted, such plans, while suggesting broad policy guidelines, do not necessarily have to restrict a Governor's own initiative and resourcefulness in achieving such goals. Both the Egyptian Constitution and the Local Administration Law give extensive power to the Governors of Egypt to implement and encourage effective development processes.

A significant implication of this tendency of the central authority to give operational flexibility to development managers was based upon the assumption that those responsible for planning should be closely interrelated with those responsible for implementation. The establishment of the Governorate Local Development Council (GLDC), largely operationalized through the efforts of the LD-II planning process, seeks to bring local administrative officials and popularly elected council members together at the governorate level. Such an administrative body should be made a permanent sub-committee of the Governorate Executive Committee as a way of institutionalizing this broad

based planning process. This governorate-level structure has the potential to become the governorate's strategic planning unit - capable of reviewing program opportunities, dealing with administrative constraints, and mobilizing public/private sector resources. Utilizing representatives of both ministerial and popular organizations, the GLDC can seek to reduce the gap that tends to exist between planners and implementors. Such efforts to bring the insights of planning down to the operational level of various governmental programs is an innovation that governors should clearly reinforce and encourage.

2. Management Information Systems - Local administration in Egypt has seldom maintained the kind and quality of data needed to effectively monitor program progress over time. The emphasis of most data collection efforts in the past has been to ensure proper disbursement and accounting of budgetary allocations. With the recent introduction of a computerized village development data bank at the governorate level, governorate-level officials will be in a much better position to monitor the progress and performance of different sector programs. Few governors in the past had access to or even sought to collect the kind of information needed to measure and therefore reward progress and improvement. Of special interest to this discussion is the creation of OMEDs (Offices of Management and Economic Development) being established in several urban governorates which will allow a governor to monitor and evaluate the budgeting processes within his own governorate.

An interesting side note to this process of monitoring program activities needs to be emphasized. The literature on Third World management processes has noted that when such program monitoring processes are used to document failure and thus justify sanctions for non-compliance to policy requirements, subtle but very destructive administrative behaviors can be and often are reinforced including: greater employee passivity, rigid conformity to regulations, tendency to report only "favorable data," and finally a general lack of initiative and creativity. When such monitoring systems are used to identify and reward progress and improvement (whether it be in road maintenance, teacher performance, extension visits, or the introduction of family planning material) there tends to emerge an administrative environment characterized by greater commitment to performance goals, greater responsibility for and commitment to beneficiary needs, and a much more collaborative orientation between and higher and lower levels in the administrative structure. A status quo Governor has no need for such data since his only concern is that funds are being properly disbursed and that employees are conforming to established rules and regulations of the system. A development-oriented Governor actively seeks such information, takes a personal interest in: which of the village councils in his governorate has a successful maintenance program; which markaz popular council has raised

significant local resources for a community waste water project; which schools have higher rates of their students completing grade six; and which transportation department work crew has the lowest road repair costs. Even a cursory review of such performance indicators demonstrates what an impact a development-oriented governor could have in his governorate.

3. Enhancing Private Sector Development - During the 1960s and early 1970s, Egypt's approach to development tended to emphasize central planning, public sector implementation, and government budgetary allocations to solve social and economic problems. In recent years a new orientation is emerging in Egypt's economic and social environment. President Mubarek and several of his key advisors have announced the need to strengthen the private sector, to stimulate greater productivity and individual entrepreneurship. The present situation is, nevertheless, not clear - as many government officials still emotionally and/or ideologically prefer public sector approaches. Throughout the local administrative system you will find some officials still adhering to public sector solutions, some cautiously pursuing some limited involvement in the private sector, and others somewhat immobilized -not knowing which way to go. Such administrative-oriented officials tend to see financial and personnel resources in fixed quantities - available or not available depending on the budgetary allocations of the Central Government. Within this framework, effective administration requires adherence to central government policy requirement, careful accountability and disbursement of funds, and the control and supervision of all personnel under their jurisdiction. Administrative-oriented officials view their scope of opportunities only in terms of public sector resources and tend to assume that social and economic problems will largely be solved to the extent that there are available funds and resources from the GOE and/or other international donor agencies.

A new development-oriented official is slowly emerging. Instead of seeing his resources as fixed and thus limited by budgetary constraints, these new officials see opportunities beyond the public sector. They recognize that private voluntary organizations can supplement government services; they encourage local councils to contract with local entrepreneurs to establish joint productive projects which can benefit both the private and public sectors; they acknowledge that greater productivity and small scale enterprise create increased income and new employment opportunities. Instead of only being concerned with using resources from the government, these officials seek ways to augment and increase the levels of resources available to them.

In most governorates of Egypt there tends to be a short supply of technical and managerial talent and skills. Reinforced by a relative shortage in financial resources, such scarcities make it imperative that careful thought be given to program

priorities and how best to utilize the scarce human and financial resources that are available. While some basic services will need to be spread throughout the governorate, there is no reason why some key priorities could not be established, that private voluntary associations (PVOs), community groups and other interested parties could not be encouraged to provide non-governmental resources and efforts within these areas of priority. Several governors in Egypt have already seen the utility in encouraging user charges and private donations to fund and maintain potable water systems at the village level, while others have assigned some of their very best officials to meet with local business leaders to help reduce obstacles and red tape in the establishment of new businesses and employment enhancement activities.

4. Human Resource Management Strategies - A review of successful development programs throughout the Third World suggests the necessity to use a variety of human resource strategies to stimulate greater productivity and commitment. In reviewing the more development-oriented governors in rural Egypt, it is clear that some creative adaptations to the formal government structures defined by the Central Agency for Organization and Administration have emerged.

Several have used their newly received autonomy to depart from conventional approaches to implementation and to adopt innovative processes which are better able to effectively reinforce their own approaches to development. Especially important has been the willingness to identify and select staff people, less on the basis of seniority and passive loyalty, and more on the basis of management skills and the ability to get things done. Traditionally, the status quo governors were often satisfied to accept whoever was assigned to them - as long as they were cooperative, appropriately deferential, and completely loyal to the wishes of the governor. Development governors are much more careful in their recruitment, seeking to ensure their commitment and adaptation to the new orientation. Such governors continually reach down into the ranks, rewarding initiative and proven ability, emphasize training and reward competency and results-oriented behaviors.

While training and competency-building opportunities can provide some impetus for motivation, immediate economic incentive systems (wage increases or bonuses) are difficult to achieve. Yet even with little opportunity for such incentives, staff motivation can be enhanced through non-economic incentives such as recognition, status, training opportunities, increased levels of responsibility and access to key decision-making groups. While it is recognized how difficult it is to provide meaningful motivation to the typical Egyptian administrator, I have been impressed with the creative and extremely personal ways that some governors have devised to communicate appreciation for

outstanding performance. No money was exchanged, but the way it was done and the genuineness with which it was extended, left no doubt in anyone's mind that results, not conformity, is what this governor wants, and that initiative and competency will be recognized.

Unfortunately, too many governorate officials tend to focus on the mistakes and weaknesses of their staff. Instead of rewarding someone for his initiative, it is far more common to punish one for his mistakes and to motivate people through negative sanctions. The negative aspects of personnel management (transfers, letters of reprimand in the file, and public ostracism) generally destroy an organization's morale and productivity and eliminate any tendencies toward initiative and risk taking. Instead of helping a staff member to learn from his mistakes, such negative motivating processes force subordinates to hide their mistakes, to take no action without a specific order, and to continually play it safe. Appropriate human resource management is still needed throughout Egypt, but there is evidence that many officials are beginning to understand the importance of this management skill for the processes of development.

5. Local Institution Capacity Building - One very important management style can be described which clearly distinguishes the status quo governors from the development-oriented governors. When the BVS/NUS and LD-II programs were introduced into the governorates, both the GOE and USAID officials emphasized the dual nature of these programs:

- (1) providing funds to help finance a number of infrastructure projects in water, roads, and others that were needed in the rural villages of Egypt;
- (2) strengthening the locally elected popular councils to take a more active role in the processes of needs assessment, priority setting,, project planning and designing, and finally the implementating, operating and maintaining of such projects once these were conceived.

Status quo governorate officials tended to focus on the first goal the funding and constructing of infrastructure projects in the rural areas of Egypt. The process was perceived to be fairly straightforward. Obviously the villagers themselves had neither the abilities nor the skills necessary to construct such projects. Central government officials were clearly better equipped to know when, where, and how such projects should be implemented. Since the ultimate purpose of the program was to construct projects deemed needed, such questions as local involvement and participation were seen as irrelevant.

A few development-oriented governors had a slightly different view as to the ultimate purpose of the BVS/NUS and LD-II programs. While these programs did provide significant

amounts of financial resources to build infrastructure projects, such projects are better perceived as means rather than as ends. If the building of infrastructures was the end (main purpose) then questions of engineering design, contracting processes, and timely allocation of resources would be the key issues, however, such projects are merely the means to a greater more long-term goal-then a different set of challenges needs to be considered. If the purposes of such projects were to raise the consciousness and awareness of Egypt's rural villages, to stimulate an interest and motivation among such villagers to begin taking more responsibility for their own development, if such projects were seen as preliminary ways to enhance and reinforce local resource mobilization activities, and to create self-sustaining systems which would help operate and maintain such projects over time-then the focus and emphasis of governorate level officials should be quite different. While very few governorate-level people in the early 1980s clearly understood the long-term goals of the BVS/NUS program, by the late 1980s there is much evidence that a growing number of governors and their staff are approaching these projects from a more developmental perspective.

If the local village communities are ever to play a significant role in Egypt's development efforts, much greater attention must be given to the ways in which a government can reinforce dependency and to contrary, the ways in which self-sustaining autonomy might be stimulated.

When governorate officials determine the needs, plan the program, and construct the facility, it is not difficult to understand why villagers refuse to operate or maintain a facility that obviously belongs to the government. Also when governorate officials provide resources and services with no taught to ways in which local participation and local resource mobilization might supplement the program's resources, it is not difficult to understand why villagers tend to be apathetic and dependent on government hand-outs.

If USAID support is to have any long-term impact on Egypt's quality of life, serious taught must be given to how such resources can be translated into self-sustaining systems. (See Part IV of this report). One example will clarify the point I am trying to make. In one governor's office in Egypt's Delta area, I observed a fascinating discussion between two officials each arguing before their governor for a particular point of view. One was arguing that the problem of operation and maintenance (O&M) was essentially an administrative issue - in which a system of support, supervision and conformity to the requirements of good maintenance would be institutionalized within the governorate's Department of Housing. Establishing a traditional hierarchy of supervisors and inspectors - each water system should be appropriately maintained through this top-down administrative system.

The other official, representing the governorate's Department of Village Development argued from an entirely different premise. For him, the problem was not administrative - but a question of whether the villagers really wanted a functioning water system. Instead of a control-driven system, he suggested that efforts be made to create a demand-driven system. In such a system, the villagers themselves must come to see the water system as their own, and thus will come to feel an obligation to maintain the water facility themselves. He argued that Egypt's top-down administrative system generally lacked the necessary resources to ensure that O&M would be accomplished, and that this will be even more true "after the Americans leave us," that if you want these facilities to be here in five years - a very different kind of strategy will be needed.

The governor, after listening to the two arguments, began to articulate a very interesting scenario. "What," he argued, would happen if we restructured the LD-II project in ways that rewarded and reinforced local community efforts to become independent of the central government's administrative systems of O&M at the district and governorate levels. What if LD-II funds were allocated, at least partially, on some specific performance indicators - such as the creation of functioning maintenance shop operated and mostly financed by local resources?" This governor then made a most profound observation - "I must admit that many villages in our governorate presently lack the social awareness and spirit of collaboration needed to establish such a self-sustaining O&M program - but some self-sustaining activities are emerging in some villages - and if such efforts that do now exist are not rewarded and encouraged, there is very little evidence that our governorate O&M budget will ever be able to handle all the O&M cost requirements of this governorate."

It should be clear that this new breed of governor properly to be called a "development manager" in the best sense of that term - obviously needs to be encouraged and strengthened.

6. Government Program Integration - One inherent weakness in Egypt's administrative system has been the tendency for each service sector to function independently of the others. Thus, health workers seldom know what the school teachers are doing - even in the same village, housing people see no need to coordinate their activities with the Department of Transportation. Agriculture extension workers have little cause to communicate with the representatives of Ministry of Social Affairs, and officials in Supply seldom interact with the Department of Village Development (ORDEV). While there are exceptions to all of these examples, the reality is that there exists very few formal mechanisms which might structure better coordination and integration of services being delivered into the rural areas of Egypt.

In a status governorate, the governor will tend to meet individually with each of his staff and the representatives of the different central ministers located in his governorate. Small private discussions characterize his approach to staff management. Since each sector department perceives its major administrative responsibilities and loyalty to its ministry in Cairo- there are few incentives to seek or share information with other departments. Vertical relationships with Cairo and separate linkages to the governor himself do not facilitate horizontal coordination.

While still administratively very difficult and politically not very appropriate, there are a few development-oriented governors who are actively seeking to bring his staff and sector representatives even district and village chiefs into planning and decision-making meetings to help coordinate and integrate programs and activities being implemented throughout the governorate. Such meetings are not generally formalized and appear as ad hoc efforts to find better solutions to common problems. A review of the efforts of the government to decentralize its administrative system over the past fifteen years does suggest a preliminary commitment to push personnel and resources down to the governorate level. (See appendix D which documents that in 1969 nearly 32 percent of all government employees - excluding the military establishment - were assigned to work in the area of Cairo, whereas by 1986, the percentage had dropped to 24 percent. This gradual deconcentration of government employees working in Cairo, does represent a movement toward decentralization). However, from a program integration point-of-view, nowhere near enough decentralization has been accomplished.

Some General Conclusions

The approach being suggested does not assume that a governor must work narrowly within the Egyptian administration structure. This approach allows, if not encourages, political decision-makers to consider the relative advantages of different institutional arrangements for achieving societal goals and objectives. Thus in this approach, there would be much more emphasis on evaluating, comparing, and stimulating a variety of organizational and institutional mechanisms within both the public and private sectors of rural Egypt. Political leadership in Egypt must gradually develop skills in analyzing and comparing different institutions which might achieve desired development goals.

As an example, consider the institutional choices facing Egypt's development of a farm credit program. Historically, the Ministry of Agriculture has maintained a monopolistic control over most credit facilities. Yet in recent years a variety of different strategies are available. The key role of Egypt's

administrative leadership would be their willingness to consider alternative organizational settings. With this openness to a variety of approaches, the governor and his staff would actively seek to support a variety of options through which the farmers in his governorate might receive credit - including: various kinds of farmers associations and cooperatives, supervised credit agencies, national and regional development corporations, commercial and rural credit banking systems, crop purchasing authorities, private processors and exporters, suppliers, distributors, etc. The point of this discussion is to broaden the horizon of Egypt's administrative leadership to the possibility - even the necessity - to consider options.

Such an approach seeks to emphasize the delivery of services and the achievement of goals rather than ensuring that a particular administrative activity is in conformity with a particular administrative regulation. Broader questions must dominate political and administrative leadership in Egypt - essentially asking how and why some institutional mechanisms are more effective than others in achieving developmental goals in their areas of responsibilities.

It is important to recognize that the approach being suggested is not simply encouraging Egyptian administrators to consider private sector options because of the assumption that market forces are more apt to ensure more efficient allocation of resources or are more appropriate for motivating individuals. To the contrary, I am arguing that just as it is appropriate to question the utility of the present bureaucratic system in Egypt as the main vehicle through which development processes should be implemented, so also it is legitimate to question whether market efficiency and customer preferences are the only or primary criteria for evaluating a development oriented system. Thus it can be argued that different trade-offs must be considered - balancing issues of efficiency with equity, problems of stability with innovation, seeking institutions that encourage accountability as well as competition.

Such an open-ended system clearly requires greater decentralization in administrative decision-making, it emphasizes the responsibility of administrative leadership to support and facilitate the work of both public and private sector interests. Such an approach is no more interested in turning all development activities over to the private sector than it is in insisting that all such activities must remain under the control of a centralized bureaucracy. Such an approach seeks to stimulate within government officials the need to consider a wide variety of different institutional approaches in the process of implementing development goals. This Report seeks to emphasize the need to pay more attention to the ways in which the public and private sectors interact in Egypt and the new demands this

interaction places on Egypt's local administrative leadership. From this perspective, a governor or district chief, needs to play a very different role when he is working with groups and organizations in the private sector, than when he is supervising administrative and sectoral services directly.

In the next ten years we will see a proliferation of alternative systems through which services might be delivered: traditional health workers and mid-wives (days) being used to distribute contraceptives, contracting with private firms to maintain local village roads, and allowing private firms to offer fertilizer to farmers in competition with public agencies. The purpose would be to give citizens more choice and provide government bodies with better information about consumer preference. Such flexibility within program implementation will require greater decentralization down to the governorate level. The LD-II Program, more than any other USAID program, has the potential to reinforce and encourage this process. Egypt's governors are obviously very important in this process. Much careful thought should be given by GOE and USAID officials as to how these governors can be stimulated to pursue a development orientation. USAID, in many Third World areas, has helped organize strategic management workshops and staff development training programs. The LD-II Program is in a unique position to structure such programs and thus to impact in a very positive way on the administrative system through which development programs are implemented in the governorates of Egypt.

Over the next two years the LD-II Program has a significant role to play to strengthen the management skills and the development orientations of Egypt's governors and other key staff, many who will move into positions of high authority. To channel all USAID resources through central ministries would be to lose an incredible opportunity to use decentralization as a means to the achievement of a very important long-term end - the establishment of a more sustainable system of development in Egypt.

It should be apparent how decentralization would facilitate the emergence of such "development-oriented" activities throughout the administrative structures of Egypt's urban and rural governorates.

It can be argued that when a majority of the governors have become development oriented, and a significant number of them are able to influence national policy reform, then the pressures for such decentralization will be forthcoming. When one reviews the scarce resources that Egypt has, sees how local level efforts can supplement and augment these central resources, and when people begin to acknowledge the rationality of integrating service activities in ways that more efficiently utilize their scarce resources, then and only then will meaningful decentralization

become a reality. From a policy-reform point-of-view, various sector ministries might experiment with the possibility of delegating greater funding and personnel responsibilities down to the governorate level - where an individual governor and his staff have demonstrated the commitment and willingness to pursue a development orientation. Different governorates have demonstrated different levels of readiness to assume greater autonomy and independence from central ministry control. There is no reason why a pilot program in greater decentralization could not be field-tested in a small number of governorates over the next two or three years. This seems to be a reasonable activity for the LD-II program to pursue.

Appendix A**Comparative Analysis of Central Government Grants-in-Aid to Local Governorates. (1975 - 1988)**

By Law 52 (1975) the GOE announced its commitment to greater financial and administrative decentralization. In an attempt to determine the extent such financial decentralization might have been implemented in the past ten-fifteen years, the following chart has been prepared from data provided by the Ministry of Finance. The percentages listed below represent the percentage of the local governorates budgets that are covered by central government funding.

<u>Governorate</u>	<u>Percent 1975</u>	<u>Percent 1988</u>	<u>Percent Decrease</u>
<u>Urban Governorates (1975)</u>			
Cairo	66.2	48.8	17.4
Alexandria	48.7	53.6	+ 4.9
Port Said	87.4	52.8	34.6
Ismailia	85.2	71.7	13.5
Suez	78.6	59.5	19.1
Averages	73.2	57.3	15.9
<u>Rural Governorates (1975)</u>			
Qalyubia	92.3	80.7	11.6
Sharkia	90.1	86.1	4.0
Dakahlia	69.5	85.5	+16.0
al-Dumyat	91.6	80.4	11.2
al-Minufia	92.7	88.6	4.1
al-Gharbia	88.6	82.4	6.2
Kafr al-Shaykh	90.9	78.5	12.4
al-Bihaira	85.5	82.0	3.5
Giza	90.5	70.1	20.4
Al-Faiyum	90.3	73.5	16.8
Beni Suef	90.7	79.8	11.2
Minya	88.5	78.8	9.7
Assyut	92.3	84.6	7.7
Sohag	91.9	82.4	9.5
Qina	93.8	85.3	8.5
Aswan	93.6	85.9	7.7
Marsa Matruh	81.1	67.3	13.8
Wadi Gidid	86.3	90.6	+ 4.3
Red Sea	71.1	70.6	.5
Sinai	<u>89.3</u>	<u>78.3</u>	<u>11.0</u>
Averages	88.0	80.6	7.4

Conclusion: Although there has been a 7.4 percent increase in local resource availability for governorate expenditures, over 80 percent of all expenditures are still covered by the central government.

Amount of Deconcentration of GOE Employees in the Governorates

Since Law 52 (1975), the GOE has announced its desire to pursue a policy of greater administrative and financial decentralization. One measure of such decentralization is the number of government employees concentrated within the capitol city of Cairo. In an attempt to determine the extent to which the GOE has sought to place more of its government employees (excluding military personnel) out into the provincial governorates during the past twenty years, the following chart has been created based upon information provided by CAPMAS.

<u>Governorate</u>	<u>1969 Figures</u>	<u>1986 Figures</u>	<u>% Increase</u>
<u>Urban Governorates</u>			
Cairo	341,312	410,256	20%
Alexandria	78,257	79,652	01%
Port Said	13,577	32,137	146%
Suez	9,228	13,539	44%
Qalyubia	36,352	67,488	129%
Giza	<u>80,200</u>	<u>159,735</u>	<u>99%</u>
Sub Total	558,926	762,807	36%
<u>Provincial Governorates</u>			
Damietta	12,505	31,987	158%
Daqahliya	52,066	119,191	129%
Sharkiya	50,321	108,847	160%
Kafr al-Shaykh	18,441	50,910	183%
Gharbiya	47,246	114,471	142%
Menufiya	33,874	87,587	156%
Beheira	49,302	83,628	69%
Ismailiya	15,989	21,396	31%
Beni Sueif	24,481	50,371	108%
Fayoum	19,058	41,303	116%
Minya	34,869	71,814	106%
Assyout	33,568	64,034	88%
Sohag	29,864	66,805	123%
Qena	32,043	59,610	84%
Asswan	29,167	30,967	3%
Red Sea	1,908	5,231	176%
Matrouh	4,579	5,084	11%
New Valley	5,200	8,659	65%
Sinai	<u>4,347</u>	<u>9,688</u>	<u>123%</u>
Sub Total	<u>498,828</u>	<u>1,031,583</u>	<u>106%</u>
GRAND TOTAL	<u>1,057,754</u>	<u>1,794,390</u>	<u>69%</u>
	% living in Cairo (1969)	% living in Cairo (1986)	
	32%	23%	

Conclusion: Some reasonable efforts at deconcentration of GOE employees has occurred during the past twenty years. In 1969 nearly one GOE employee in three was living in Cairo. Today, it is still almost one in four.

ANNEX I
EXECUTIVE SUMMARY:
VILLAGE COUNCIL STUDY

D R A F T

VILLAGE COUNCIL STUDY

A COMPARATIVE ANALYSIS OF VILLAGE COUNCIL EFFECTIVENESS

JAMES B. MAYFIELD

SEPTEMBER 1989

In the Spring of 1989, representatives of USAID and the GOE agreed that it would be appropriate to determine in some empirical way whether or not the local councils in Egypt had, during the life of the BVS/NUS and the LD-II programs, increased in their capacity to assess needs, select and design projects and implement, operate and maintain such projects.

Initially under Law 124 (1960) the present local government system was established. Specific local councils were organized at the village, district (markaz) and governorate levels to be representative bodies of the various administrative units throughout Egypt. Their functions were limited to general discussions of the centrally determined budget, but it was hoped that eventually these councils would become popularly elected bodies with significant administrative and financial autonomy.

In an attempt to determine how these councils (VPCs) have been functioning over the past 10-15 years, a prototype survey was conducted during May and June 1989 to compare these councils in terms of several factors that potentially may help the GOE and USAID better understand why some of these councils have been very effective and why others have been less effective. In an attempt to determine respondent attitudes concerning the four councils elected in 1975, 1979, 1983, and 1988, the following questions were asked:

A. Which Village Popular Council (VPC) is perceived to be the best (and the worst) council? The villagers interviewed were encouraged to articulate their own criteria in comparing the four councils elected in 1975, 1979, 1983, and 1988. Below are the basic observations and conclusions to be drawn from the data collected.

1. Respondents were generally consistent in their assessment that the 1983 and the 1988 councils tended to function better than the councils elected in the 1970s. This observation becomes significant as one realizes that it was not until 1983-85 that village council members were given any kind of serious orientation and/or training under the BVS/NUS program.

2. Especially significant is the fact that 76.9 percent of the respondents who had been members of all four councils judged the council of 1975 as having been the least effective. In this early period the vast majority of council members had almost no experience in village council work, many of whom were illiterate farmers, and were given very little training in the duties and responsibilities of a village council.

3. Nearly 40 percent (39.5%) felt the most effective service projects were implemented during the 1983 councils. This becomes more significant when one notes that nearly 60 percent (58.3%) of the respondents who had been a member in all four councils felt the most effective service projects were completed during the 1983 council period. Also consistent with the earlier observation is the fact that 62.9 percent of the respondents felt that the worse service projects were completed in the 1970s while only 36.3 percent felt the worse projects were implemented in the 1980s.

B. Perhaps the most interesting data to come out of this preliminary study on village council effectiveness relates to the role the village councils play in assessing village needs, selecting various options to meet those needs, designing the specific programs required to meet those needs, monitoring the implementation of these programs, and the final operation and maintenance of these projects. Each respondent was requested to list the projects (both service and productive) in their village that had been especially effective and also to list the projects that had been especially ineffective. A specific set of functions were identified and each respondent was encouraged to indicate the extent to which the village council had played any role in the completion of those functions. The respondents were also asked to indicate the level of government which was most influential in implementing these functions (the village council, the Rais al-Wahda, the Markaz level officials or the governorate level officials). The chart below lists the six functions deemed important in the implementation of a project and the extent to which the village council played an important role in the completion of these functions.

Functions of the Project Implementation Process:	(Percent Indicating Councils Played a Major Role)	
	Best Projects	Worse Projects
1. Assessing the needs of the village	72.6	51.1
2. Selecting the project	73.3	54.8
3. Planning/Designing the project	20.0	16.3
4. Selecting the contractor	22.2	17.8
5. Monitoring Project Implementation	44.4	25.2
6. Operating and Maintaining the Project	28.9	15.6

1. Many of the conclusions suggested from this preliminary analysis are intriguing and seem to suggest that training and orientation programs of the BVS/NUS project may have had some salutary impact on the internal workings of these councils. Also, there is no question that the BVS/NUS resources made available to these local councils (during the 1983-86 period) would have given them a degree of legitimacy and utility that earlier councils did not have. This should continue under the LD II program.

The most obvious first conclusion drawn from the data is the important role that village council involvement plays for project success especially in performing the first four functions (needs assessment, project selection, planning/designing, and contractor selection). Especially note that low village council involvement characterizes all the six functions when related to the weak or unsuccessful projects. See the attached report for a more complete analysis of the data.

2. Equally significant is the fact that all unsuccessful projects relied upon the markaz/governorate officials (and by implication failed to involve the village councils in these functions) to conduct the needs assessment, to select the actual project to be implemented, to plan and design the project, and to select the contractor to implement the project. Such evidence certainly appears to demonstrate the positive role that village council involvement can play in these functions.

3. Another significant conclusion to be drawn from the data is the apparent fact that village council involvement is not required for all the functions to be performed effectively. When it comes time to monitor the implementation of projects and to operate and maintain projects, the successful ones require that markaz and/or governorate technical officials be available to oversee the actual process of implementation. The data clearly suggest that central government monitoring is more crucial than village council involvement for these functions. It is equally interesting that the weak/unsuccessful projects are much less apt to have had village council involvement and more apt to have relied on the local government official in the village--the Rais al-Wahda (rather than markaz/governorate officials) to perform the monitoring and O&M functions. Such conclusions have strong implications for future training programs of both village-level and markaz/governorate level officials.

SOME PRELIMINARY CONCLUSIONS FROM THE DATA

A. First, it is important to recognize that the conclusions of this report are tentative and should be reviewed with appropriate caution. While the data may be reasonably reflective of the councils where interviews were conducted, there is no way to determine if their observations are representative of council members throughout all of Egypt.

B. An initial impression one has is that the councils functioning in the 1980s appear to be perceived rather consistently as more effective than the councils functioning during the 1970s. To what extent this can be directly attributed to BVS/NUS and LD-II program interventions is not possible to determine with the present data available. However, there is certainly circumstantial evidence to suggest that the resources made available and the training provided during the past ten years appears to have some significant impact on the functioning of these councils.

C. As the respondents interviewed in this survey were asked to reflect on the differences between successful and unsuccessful projects, however that might be defined, it is clear that respondents consistently perceived projects that were judged to have been successful to have had significant local council involvement. Successful village projects were consistently related to those functions (needs assessment, project selection, project planning and design) performed with greater levels of village council involvement.

D. There is strong evidence in the data that not all functions related to project implementation require village council involvement. Thus the data do suggest that such functions as selection of a contractor, the monitoring of the implementation process and the O&M functions do require the technical and supervisory support of higher levels of the administrative system.

VII. SOME PRELIMINARY POLICY RECOMMENDATIONS

A. All projects implemented at the village level should require meaningful village council involvement. Projects are far more apt to be considered successful and useful to the community to the extent that village council members, as representatives of that community, are encouraged to participate in the needs assessment, project selection, and project planning/designing activities. Considerable progress has been made in this area, but much more needs to be done.

B. Over the entire period of the LD II program, village council members will require continuing orientation and training if they are to play the positive role they are potentially capable of performing. Much of this local council training should be structured through the present training block grant program being implemented in the governorates. The Saqqara Training Center should be encouraged to provide training materials and other supplemental training activities to support the governorate-level training efforts.

C. Markaz level officials need to be trained to provide effective O&M technical support to village level officials responsible for project sustainability. Such project management activities require a careful blending of technical and institution-building skills that integrate central government support capacities with local resource mobilization efforts. Such an integrative management approach should gradually reduce local community dependency on central government resources and should reinforce present efforts to strengthen local institutions at the village level.

ANNEX J
WASTEWATER DESIGN, CONSTRUCTION
AND INSPECTION ISSUES

ANNEX J

WASTEWATER: DESIGN, CONSTRUCTION AND INSPECTION ISSUES
(Ali M. Kamel and Philip S. Lewis)

1. On October 14 and 15, 1989, field trips were made to seven of the nineteen pilot wastewater treatment plants being constructed to serve villages in Damietta Governorate. The primary purpose of these trips was to observe the contracting procedures, construction quality and inspection services related to this pilot program. Discussions were held both with Housing Department personnel assigned program responsibilities for construction inspection and with construction company supervisors found at the sites. In brief, we found that the contracting procedures being utilized were satisfactory and that field construction being accomplished, with few exceptions, was functionally adequate. However, we believe that improvements in the inspection of construction function would serve to better ensure the integrity of future plant construction.
2. Reviews were made of the terms of reference (TOR), design criteria, general specifications, and bidding documents prepared by Chemonics for the purpose of tendering for the design and construction (on a turnkey basis) of several pilot wastewater treatment plants during discussions at the governorate Housing Department office. Reportedly, Chemonics prepared documents covering five sites, while the National Organization for Potable Water and Sanitary Drainage (NOPWASD) prepared the documents for the remaining 14 units in a similar manner. Also reviewed was the tender submitted by the firm which was subsequently awarded the contract, and the contract itself, which included by reference the criteria and specifications of the TOR. The procedure by which contractor selection was made appears to be within accepted industry practice for turnkey type contracts and should be generally utilized throughout the program whenever appropriate. It should be noted that another equally accepted industry approach entails the use of an independent engineering consulting firm for completion of detailed design and the subsequent contracting of a construction firm for actual project implementation. However, the general practice in Egypt under turnkey contracts closely approximates this approach in that most construction contractors utilize the services of a independent engineering firm for the preparation of detailed design plans.
3. Of the seven wastewater treatment plants visited, only one was in operation, the others being under construction and reporting estimated completion dates within the next two to four months. Construction work actually underway during our visits included excavation and backfilling for foundations, form work erection, and metal hardware fabrication. In general, the completed construction observed appeared to be of acceptable quality and the facilities may be expected to perform as designed. Unfortunately, no activities involving the placement of structural concrete were observed. The basic functional integrity of the facilities is most dependent on this component.
4. At only one site visited (Serw Village) has there been serious treatment tank leakage discovered during hydrostatic testing. Housing Department engineers reported that, while the quality of concrete met specifications, deficiencies in the contractor's techniques of concrete placement and consolidation were responsible for the poor performance. The engineers noted that the contractor had proper and sufficient equipment on site but failed to properly utilize his resources. From such reports and from the leakage patterns currently observable, we surmise that the localized areas of porosity in the concrete are due to (1) segregation of aggregates caused by improper use of vibration equipment and/or (2) poorly formed construction joints placed between concrete pours. Both deficiencies are common in the absence of rigorous and vigilant inspection.

5. Other construction features noted at several sites which deserve attention include the following items.
- Construction joints, in general, were not clean and well formed, most partially filled with coarse aggregate which should be chipped out.
 - Embedded form ties made of heavy wire require the cutting back of concrete to provide for adequate cover and then patching; permitting their cover by heavy plastering alone should not be allowed.
 - The placement of reinforcing steel appears irregular in many instances, indicating either poor initial placement or excessive movement during concrete pours. Maintaining specified bar cover is made difficult by such irregular placement.
 - Blocks used for spacers between rebars and wall forms appear to be made of a weak friable grout mixture. As many blocks will probably not be removed as concrete pours progress, they should be made of a concrete mix similar to the design mix of the wall itself.
6. Alert and timely inspection is needed to identify and enforce correction of such deficiencies as above cited. At present, inspection of construction of the pilot plants is being performed by engineers of the governorate's Housing Department office. One engineer, reportedly, provides full time coverage on active sites, while a senior engineer is responsible for oversight of up to eight sites. Such coverage, given the limited site area and the observed level of contractor activity, should be sufficient. However, the effectiveness of current inspection efforts appear to be limited by the lack of experience of the staff and their relative immobility. Lacking personal vehicles, the staff is presently dependent upon the contractor to furnish transportation. It is recommended that additional training related to inspection duties be provided to Housing Department staff to upgrade skills. Provision of personal vehicles would foster a more objective inspection attitude as well as permit more effective use of limited inspection personnel resources.
7. It is recognized that the use of private engineering firms for field inspection services is being considered as an alternate approach. Immediate improvement of inspection activities could be expected from this approach. However, it is believed that, with the enhancement of the skill level and mobility of governorate Housing Department staff, this staff should be able to perform their inspection duties in a manner which would ensure the construction of functional facilities.
8. We understand that it is presently estimated that a staff of approximately 20 will be required to maintain and operate one village wastewater collection and treatment system. This staff, reportedly, is to be hired and funded by the Village Council, receive technical Training from the TA contractor, and will work under the technical direction of the governorate's Housing Department - similar to water system O&M staffs. Some consideration apparently has also been given to placing such staffs under the aegis of the NOPWASD. Given the estimated early completion of the pilot plants, we recommended that project personnel take immediate steps to ensure the availability of properly trained staffs at the time of initial plant operation. For sake of institutional stability, an early GOE decision regarding program organization should be made.
9. The pilot wastewater treatment plants in Damietta will serve as part of a broader program to evaluate the effectiveness of various treatment technologies in the Egyptian context. We recommended that early attention of project personnel be directed toward designing an evaluation program that will comprehensively address the many issues related to a program of instituting wastewater treatment at the

village level. In addition to the technical effectiveness of various technologies, the evaluation should include consideration of the overall environmental impact of such plants, the effect of collection systems - with and without subsequent treatment - on public health, the requirements for and availability of trained O&M staffs, and the projected financial consequence of such a program on local and central GOE budgets. Given the scope and importance of this evaluation, we recommended that it be conducted by an independent professional firm or institution under the auspices of appropriate ministries of the GOE.

Construction of Waste Water Treatment Projects in Governorate
(I) Findings about visited Plants

Village Populatn (Year)	Project Type	Design			Construction Contract				Construction Work				REMARKS
		Contract award	Design Completed	Consultant	Contract for	Contract award	Contract value	Contract period	Site take- over	Start date	Subst Completed	Finally Completed	
Mt-Kholy 8500 (1985)	Ext'd Aern Sewerage Road	Aug 83	Dec 84	NOPWASD for TOR + Consultant for design	Modern C. + SOAF	2 MFF	12 months 12 months		Apr 85 Jun 85	Dec 86		Feb 85	In operation since '87 but underdesigned. Contract for O & M to dealer @ LE 2000/month. Effluent quality not yet measured. Dried sludge not disposed of.
Serw 12000 (1985)	Ext'd Aern Sewerage Road	Turn-Key	Key Job	Housing Dept. for Sewers	Timsah LE 3M for 7 plants	Public Participation As above	12 months 8 months		Jun 89 Apr 83			Apr 84	Recontracted to Timsah Co. in Jun 89. Plugging holes in concrete tanks. Elect Power not supplied (faulty transformer). Sewerage to irrigation drain. Ready in 2 months.
Sharaba 7500 (1985)	Ext'd Aern Sewerage Road	Turn-Key	Key Job	as above	for Sewerage local Contractor	Public Participation 250000			May 83			Jul 84	Recontracted to Timsah Co. in Jun 89. Design modified to improve OM. Checks on former concreting. Ready in 2 months. Pumping Station not yet connected to Sewer.
Kfr.Solma 11300 (1985)	Oxid.Ditch Sewerage Elect.	Feb 88	Jul 88	NOPWASD for TOR + Consultant for design	for each Village Local	Feb 88		200 000	Mar 88	Jul 88			Timsah Co completed R.C. pipes & bridges but still making agitators on site according to consultant's design. Difficult construction: Compaction above soil; Stone from Cairo Aeriatres to be imported.
Kfr.Ghub 17500 (1987)	Aqualife Sewerage	Mar 87	Jul 87		AMI Local	Jul 87	12 months	\$325000 501000	Apr 88 Jan 88	Apr 88	Jan 88	Apr 88	Erratic partial operation since network not yet completed. No clear directives. Effluent quality not yet tested.
Bqrashia 2500 (1985)	Aqualife Elect Sewerage	July 88	Dec 88	Consul- tant for Design	EMAS Civil work Local	Jul 88	12 months	\$180000 for 2 plants 185000	Aug 88	Jan 89		Apr 84	Poor site management. Anaerobic R.C. Tank still under construction. R.C. bars rusty. Work retarded by undecided influent supply canal.
Kfr.Sd.Bad 14500 (1985)	Aqualife Eqipt. Sewerage	Jul 88	Dec 88	Consul- tant	EMAS AMI	Jul 88 May 88		380000 \$329000 2 plant	Aug 88	Jan 89		Apr 84	Aqualife units supplied by AMI under separate contract. Work progressing slowly
Daqahla 6000 (1987)	Aer.Lagoon Sewerage	Dec 87	Jul 88	USDC Chemo- nics	Canal Co. Eqipt. Aeration Industries	Dec 87 Jun 88	8 months 180 days 12 months	200000 \$320000 380000	Sep 88 Aug 87	Sep 88	Sep 88		Pumping station near completion but not yet connect- ed to collection network. Construction still unfinished. Aerators supplied by Aeration Industries
Adlya 3300 (1987)	Stab.Pond Sewerage	Dec 87 Aug 87	Jul 88	USDC + Consul- tant	Canal Co Local Contractor	Dec 87 Jun 88	8 months 12 months	186380 303660	Sep 83 Aug 87	Sep 88	Aug 87	Aug 87	Still under construction. Necessity to Compact soil back filling. Stone from Cairo. Pump station is underway.

Findings: The scarcity of Governorate engineers capable to plan & design non-standard pilot projects supported by foreign

Attachment A to Annex J

**Report on USAID LD II Mid-Term Assessment (Sept/Oct 1989)
Construction of Wastewater Pilot Projects in Damietta Governorate**

II. Conclusions

- a) The visits undertaken to the plants mentioned on page 1 and talks with the Damietta Governorate engineers have shown that relatively little progress was achieved since a full survey of the wastewater projects was carried out by the TAC Chemonics last July 89 (cf. their 16th monthly progress report). The main reasons for this low rate of progress are:
1. Lack of coordination between the contractor and other governmental authorities concerned (Governorate, Irrigation and Drainage authorities, Electricity authorities, Housing Department, etc.)
 2. Weak project management capabilities.
 3. Vague assignment of responsibilities and accountability.
 4. Weak incentives for quality with celerity.
- b) The modifications to the design on the construction site indicate a certain slackness in the specifications and in the adherence to recognized practices.
- c) Construction faults and failures show again a looseness in specifications and absence of codes of practice as well as the need for very stringent and dedicated inspection.

III. Recommendations

- a) A joint effort is required from the TA contractor and the Governorate engineers to establish a "code of practice" for the construction of each type of project encountered in the program, and to make sure that it is made known to and comprehended by all concerned. The present pilot projects should serve as a proving and demonstration ground for these codes.

- b) A set of specifications is expected to be put out in accordance with the design criteria and the construction code of practice mentioned above should be constantly monitored by laboratory testing.
- c) The governorate engineering departments should set up a generalized point-system upon which to evaluate the engineering firms applying for carrying out feasibility studies and design work. A technical services fund may also be used by the local councils to gain access to private sector engineering resources. Indefinite quantity contracts (IQCs) may also be used by governorates as a means to tap the resources of qualified A&E consulting firms.
- d) The scarcity of governorate engineers and the difficulties of dividing their time among active running projects makes it mandatory to hire engineering firms to maintain vigilant and continuous inspection subject to control and supervision by the governorate engineers. They may also serve, together with TAC personnel, for review prior to final hand-over of each project. This procedure would assist in quality assurance and in training local engineers.
- e) Estimation of a project's cost should be based on the overall yearly cost viz including fixed and variable components for the lifetime of the project, and to base the design cost percentage accordingly so that the better designs could be objectively selected.
- f) Standard technical engineering details (TORs, bills of quantities, model contracts, etc.) should be prepared to suit local conditions and conform to updated regulations, and made available by the TAC to all concerned with small-project planning and design.
- g) A competitive awards program is suggested as an incentive for quality improvement in design and construction of local projects along the following lines:
 - Local governorates would submit their candidates for the highest quality projects to an awards committee at ORDEV each year.
 - The committee would award prizes for the best projects overall, the best tender documents and the best construction supervision.
- h) Governorate technical departments should establish and maintain contractor performance evaluation files and send copies of the file materials to the contracting department for use in evaluating bids.

Reflections on Provincial Sanitation Programs for Egypt

Considerations affecting such a program are:

- 1- the population explosion,
- 2- the rising water table, and
- 3- the economic duress.

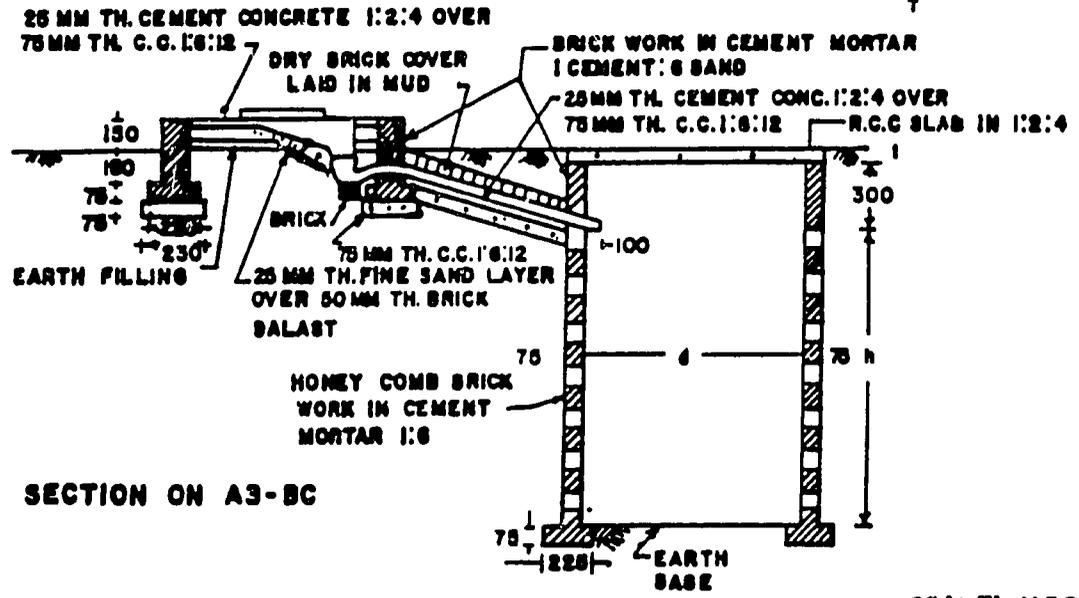
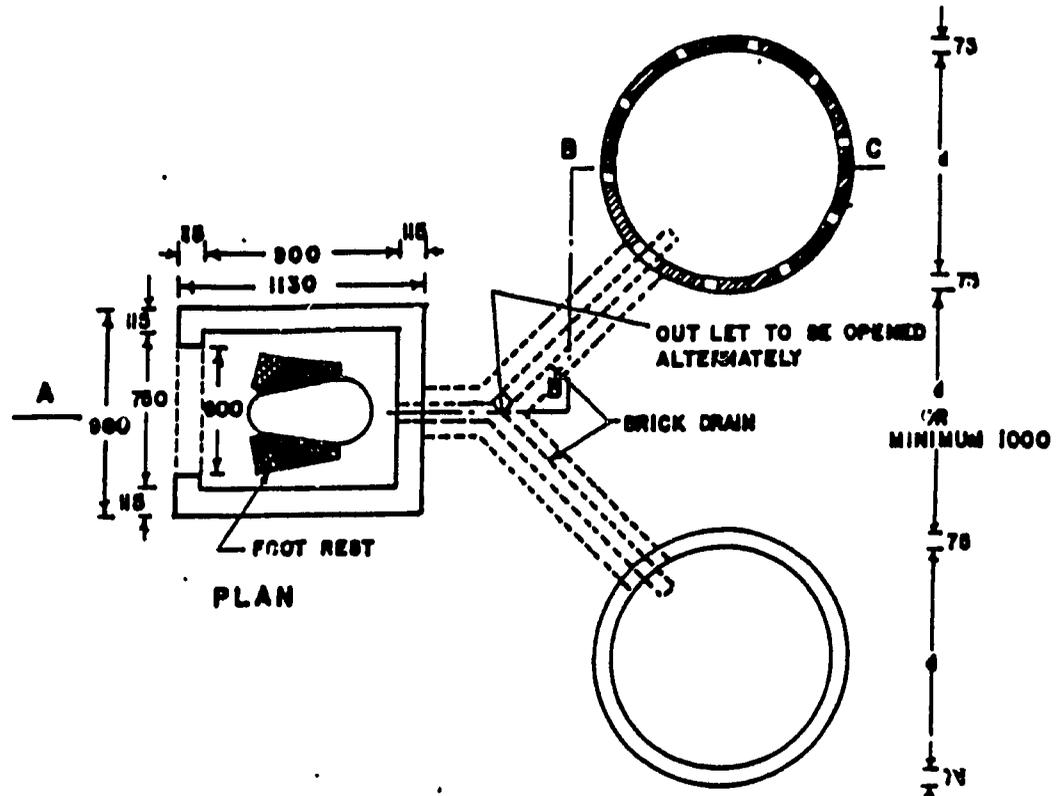
The situation has been rendered acute since the extension of potable water supply schemes to individual households. The state, faced with the confrontation between these considerations and the public aspirations for a higher standard of living and its increased awareness of environmental conditions, has given the problem particular attention in low-lying lands, such as Damietta Governorate, and hence the Pilot Wastewater Treatment Plants investigated above.

During this investigation, undertaken as part of the LD II Mid-Term Assessment, the following reflections could not escape attention:

- 1- Houses in villages where the underground water is more than one meter deep should better install their individual latrines. For this purpose a suitable type is the pour-flush water-seal latrine with offset twin leach pits within the premises. The liquid percolates into the subsoil and the gases are absorbed by the soil. The pits are used alternatively every about two years. The dried excreta is safe to use as manure. (See attached World Bank TAG Tech. Note 10, 1984.)
- 2- In low lands, such as Damietta and Fayoum, sewerage and sewage disposal impose themselves. A unique chance is offered in Egypt by the established network of irrigation drains: some would be designated to receive the sewage collected in a network of piping from the village houses and communal dwellings. The drains would then be used as oxidation ditches: aeration would be brought about by installing orifice jet mixers supported on floats placed at few-kilometer intervals along the drain canal. These jet air mixers would be operated by ordinary electrically-driven medium-pressure pumps placed on the canal bank and fed from its water. The mixers are similar to those operating the Aqualife plants: they have no moving parts. The whole system requires neither construction nor land to place it on. Sludge deposited at the bottom of the canal is dredged and deposited on the banks as is done now. When dried in the sun, it may serve as manure or soil improver.

The Ministries of Irrigation and Water Resources and of Local Administration may agree that, since the final aim is to reduce the amount of pollution of the water flowing in the canals of the drainage system, the appropriate technology of its treatment might as well take place in the system instead of burdening the LD Program by requisitioning precious agricultural land all over the Country for the construction of wastewater treatment plants and equipping them with costly imported components to produce at most a limited impact on the condition of the drainage canal water.

- 3- A great relief for sanitation, whether by latrines or sewerage, would be realized by saving in the supply of potable water to the villagers: if delivered through a network to the households, experience shows that almost half the quantity required by the End-User is lost by leakage from the piping joints and through the taps. The rational solution would be to restrict delivery of potable water as far as possible to public stand-pipes, fit them with water-meters and fool-proof taps, and levy a charge on access to them.



ALL DIMENSIONS IN MM SCALE:-1:300

UNDP INTERREGIONAL PROJECT
 INT/8/047
 DEVELOPMENT AND IMPLEMENTATION
 OF LOW COST SANITATION INVESTMENT
 PROJECT

USERS	DIAMETER	HEIGHT	THICKNESS
8	900	1100	80
10	1100	1400	80
18	1280	1600	75

DESIGN OF LOW-COST WATER-SEAL
 LATRINE FOR FITS WITHIN THE
 PREMISES

DRG. NO.
5