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FINAL REPORT

DEVELOPMENT DECENTRALIZATION I PROJECT

CAIRO, EGYPT

USAID PROJECT NUMBER 263-K-605.1

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PREFACE

Throughout the life of the Development Decentralization I (DDI) Project, Checchi and Company has submitted quarterly progress reports. These have detailed the lending activity as well as the work performed by each Checchi team member. Those reports stand as records, and no attempt will be made to reiterate them here.

In this final report, we present what we view as the highlights of the DDI project, the lessons gained from actual management and operation of the Loan Development Fund (LDF), and the Checchi team's thinking about future directions for LDF.

In addition, the report summarizes the accomplishments of DDI and presents a brief background and history.

HIGHLIGHTS

LDF'S IMPACT ON VILLAGES

Development is not a level of wealth or services, but instead, a process by which a villager helps himself toward a better life. To a large extent, it means that a villager develops the ability to overcome obstacles and problems that previously appeared to him to be beyond his capabilities to overcome. The Local Development Fund (LDF) in its brief lifetime has helped both the village private sector and local village councils along the road to economic development.

The LDF has promoted the development of rural communities through initiation of income-producing enterprises (called subprojects) implemented on a commercial basis and financed through borrowed capital rather than by a government grant program.

This approach has fostered the building of entrepreneurial capability in village leaders, and has also resulted in the creation of a multitude of private sector projects. The LDF projects have served as models that have been replicated in almost every governorate of Egypt. Local people, using their own capital, have started businesses of their own. For example, in a village in Ismailia Governorate, four men have replicated a village beekeeping project; in Kafr El Sheikh a worker on an LDF fish farm project has started his own fish farm; in two villages in Giza, 70 farmers have replicated an egg layer project; two young engineers working at the LDF recently started their own poultry project.

The Checchi poultry consultant conducted a survey of poultry projects in seven governorates and observed that

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every LDF poultry project had been replicated at least once in every village he visited.

In recognition of LDF's potential to foster private sector initiatives, the Project Agreement was amended in June 1982 to allow private individuals to invest their own capital in subprojects and to join with local councils in project implementation and management. Accordingly, the LDF is today fostering joint venture projects, notably egg production by the private sector in individual households. In such projects, villagers purchase battery cages and chickens through the local unit, manage egg production, and sell eggs in the local market. By the end of March 1984, the LDF had approved a total of 13 such chicken battery projects to be implemented in private households. A total of 667 batteries will be placed, with an estimated capacity production of 12 million eggs per 14-month laying period.

LDF plans to finance more such projects in the coming year, and also seeks to diversify its portfolio of joint venture projects.

PURPOSE AND GOAL ACHIEVEMENT

The Project Paper states: "The purpose of the project is to strengthen the financial viability and development capability of selected village councils."

According to the Project Paper, 300 loans with a value of $5 million were to have been made in five years. By the end of May 1984 the LDF had made over 600 loans with a value of approximately $15,113,000. The majority of LDF loan projects are profitable and a recent AID-sponsored DDI project evaluation found that subprojects studied were returning an average of 19% annually on investment.

The Project Paper states: "The goal of the project is to promote decentralization through enhancing the

autonomous revenues of Village Councils." By making 600 loans, the LDF has laid the foundation for increasing the funds available for discretionary spending by village councils. By the end of May 1984, 448 villages out of the national total of 869, or 51.5%, had LDF loans.

THE OUTPUTS AND OUTPUT INDICATORS

The Mid-Project Evaluation team found that all ten of the Outputs detailed in the Project Paper relative to number of loans, value of lending, persons trained, etc., had been met or exceeded.

INSTITUTIONALIZATION OF LDF

The first member of the Checchi team arrived in Egypt June 4, 1979. LDF did not yet exist. Checchi team members thereafter worked with staff members drawn from ORDEV to establish LDF as a lending institution, creating management, financial, technical, review, and reporting systems. Throughout the life of DDI the Checchi team and the LDF staff have worked very closely forming an organization serving village needs by promoting and development income-producing projects.

Many factors are important in the formation of an organization. ORDEV supplied the LDF with the best talent it had, and Checchi and Company fielded a team that has worked in close harmony with the LDF for the past five years. The personal relationships and give and take of ideas that are the roots of any effective organization have contributed to the success of LDF.

To date, the LDF has received 970 applications and 606 loans have been made. Twenty-nine loans have been paid back in full, 25 loans have been cancelled, and the LDF has 123 applications pending valued at LE 4.3 million.

The lending and repayment record of LDF attests to its establishment as an institution.

As of the first of April 1984, principal and interest repayments amounted to over LE 2.6 million, or approximately 21 percent of the total portfolio value. No loans have been declared in default and only 9 percent are past due in repayment. Even this figure is high, as experience has shown that checks sent from villages often take considerable time to reach the LDF in Cairo.

ECONOMIC REVIEW OF PROJECTS

Economic review and feasibility analyses are important tools in the selection of potential enterprises. Efforts have been focused on building capacity in LDF staff and village leaders to conduct such studies prior to the selection of projects. Formal as well as informal training sessions have been held. Feasibility analysis has also been built into the LDF loan application form and is thus institutionalized in the LDF program.

THE LDF TRAINING PROGRAM

The LDF training program has contributed significantly to the institutionalization of LDF.

Over 8,300 persons have been trained during the five years of the program. This figure is nearly double the number envisaged in the Project Paper. Over 99.5 percent of all trainees benefited from training offered in Egypt. This local training provided the necessary orientation to both elected and appointed village councils. Further managerial and technical training helped provide the skills required for successful institutionalization and operation of LDF.

In the recent past, training programs were conducted at LDF for representatives from Minia and Dakahlia governorates who have key roles in the new LDF branch offices in these governorates.

LDF PUBLICATIONS

Another, and very important, aspect of LDF's development has been the number of case studies and manuals that have been produced. These have served as training guides and have provided public information about the program, helping to promote recognition of the fund and stimulating new applications. These are described in detail in the "Accomplishments" section of this report.

A special highlight is the production of the LDF Fact Book I and Fact Book II. These two documents have received acclaim from both USAID and the Government of Egypt. They include an overview of LDF, including DDI/LDF history, LDF organization and operation, lending status, technical assistance, and training. They also contain profiles of LDF projects in each governorate.

LESSONS LEARNED

Following are the major insights of the Checchi team concerning project outcomes.

1 Although the stated objectives of the DDI Program were centered on strengthening the financial viability and development capability of selected village councils, the impact of the LDF financed projects went beyond the designed objective and resulted in a very large number of spin-off projects in the private sector.

2 The village councils became so enthusiastic about the LDF program, AID increased the original capitalization fund from $5 million to $18 million. By helping to satisfy the demand for credit, LDF has provided a useful training experience for public sector employees in thinking in terms of private sector investment.

3 Although there is no line authority between LDF/ORDEV in Cairo and local ORDEV offices and local councils, the flow of loan applications, processing, and repayments has worked smoothly and appears to be improving over time.

4 Had adequate incentives and transportation been made available for the LDF professional staff and the Egyptian consultants, LDF's progress would have been far more impressive. The lack of incentives and of transportation were a severe constraint, especially in follow-up of projects.

5 The LDF projects were expected to be administered and managed in a commercial fashion, that is, by trying to maximize profits. In fact, however, most projects were not allowed to charge market prices, as the village councils felt that the provision of food and services at lower than market prices served a valuable social objective.

6 Very little money has flowed into the "Accounts for Local Services and Development" as the project designers had predicted. The villages' fledgling companies still need money for expansion, inventories, equipment, etc.

7 The project designers suggested that a "loss reserve account" be set up for contingencies. Experience to date has shown no repayment defaults, and thus there has been no need for such a reserve.

8 An important concern for an institution such as LDF is the institutional approach to information gathering, storage, retrieval, use and distribution. Had such a system been established earlier, the writing and production of LDF publications, for example, would have been far easier.

9 Unfortunately, counterpart staff were not assigned to the Checchi technical assistance advisors on a permanent basis. Had this been the case, LDF would have a trained staff member now in position to develop an LDF Publications Division.

FUTURE DIRECTIONS

TECHNICAL ASSISTANCE

Athough the LDF has become institutionalized, there is need for more technical assistance in the future. The LDF could benefit from technical assistance in several studies that are proposed in this section of the report.

An expert in banking might be brought in once a year to review the portfolio and take a close look at interest rates. A training expert should be brought for a few weeks every six months to help in program planning. Also, we feel it would be appropriate for an expert in management information systems to counsel LDF for about two weeks every six months. An individual knowledgable in public relations and publications generation might be brought in for a few weeks each year to review the excellent program already begun.

LDF LENDING AND STUDIES

The LDF has been providing a low interest line of credit to local councils. This approach was needed, and proved to be successful in bringing about change in local government development strategy, shifting local councils' attention from grants to loans.

For LDF loans to be more effective in promoting rural development, a study identifying various channels of finance and extent of demand for credit in rural areas is required. The findings of this study would assist LDF's Board of Directors in making policy decisions with respect to introducing flexible loan terms and conditions, and adjustments in interest charges to reflect real cost of borrowed funds or to bring these terms into line with other financial institutions such as the Principal Bank for Development and Agricultural Credit.

For LDF loans to have a much stronger impact on non-farm employment generation, more emphasis should be directed in the next phase to broadening the LDF portfolio. At present, 52.16 percent of LDF loans are for poultry and livestock projects, and 35.8 percent for transportation projects. These types of projects--to be sure--are low-risk, easy to manage, and provide services and products that are needed. They generate profits to strengthen the financial viability of local councils. However, their impact on non-farm employment generation is limited.

As the program moves into its next phase, priority must be given to financing projects geared toward processing agricultural raw materials, production of intermediate inputs, introduction of new and adaptable technologies, and projects managed jointly with the private sector. Project producing end-products should be given lower priority and should be encouraged within the private sector. Funds should not be directed to village councils showing a trend toward replication of enterprises already well established in the community by the private sector.

Availability of LDF capital can be a powerful inducement in attracting additional capital and skilled individuals to the villages. Thus, the LDF head office, branches and ORDEV offices should encourage local councils to look to nearby urban centers for entrepreneurs and managerial partners. Medium size companies in markaz-center towns may be attracted to establish joint venture branches with village partners.

It is apparent that during the next phase, decentralization of LDF activities will be the key to expansion of LDF-financed rural development. The LDF head office and ORDEV should thus give serious attention to:

1) preparation of a long-term plan for creation of branch offices in most governorates. This plan should take into consideration projected reflows to the LDF head office, a well defined target date for creation of each branch, and

governorate committments to augment branch offices' capitalization funds. Special attention must also be given to the evolution and expansion of branch office activities.

2) The LDF head office should begin shifting its emphasis and gearing its operations toward building up a strong technical assistance team capable of providing branch offices with consultation and advice.

The LDF branch offices may explore possibilities of experimenting with the private sector through associations and cooperatives. Local councils might identify aggressive individual entrepreneurs and assist them. The individual investors will be interested in non-farm, rural employment generating projects. If this experimentation proves acceptable and feasible, it should proceed on a conservative basis, and be consistent with the purpose and goal of the program. The branch offices, with technical assistance, must evaluate total (direct and indirect) costs and benefits of shifting from loans directly to village councils to private sector lending. This evaluation would be in terms of comparing projected losses in direct revenues to local councils, against a projected increase in private household income, employment generated, and local councils' indirect revenue generation.

The LDF follow-up and monitoring functions should extend to periodic calculations of subprojects' internal rates of return and returns on investment. Also, periodic comparisons should be made between capital productivity of village councils' LDF-financed projects and similar private sector projects.

The LDF should conduct a study of the impact of LDF loan projects on local councils' revenues.

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LE 6,000 to LE 210,000 have been made for poultry and egg production, cattle and sheep fattening, aquaculture, apiculture, agricultural equipment, food processing, transportation, and small enterprises.

The overriding objective is to strengthen the village units by increasing the funds available for discretionary spending on local development projects.

The institutional framework of the DDI program can be traced to the early 1970's when the Government of Egypt passed a number of laws increasing the participatory role of local government units. In 1973, ORDEV was created within the Ministry of Local Government, with the role of implementing the GOE's program of economic and social development of rural villages. In 1975, Public Law 52 provided for a popularly-elected council for each unit of local government, and Executive Heads, or local administrators, to act as chairmen of Executive Councils made up of representatives of ministries functioning at the local unit of government. The objective was to strengthen the decision making abilities and administrative autonomy of local units in the villages, thus decentralizing government.

TRAINING

Highest priority should be given to providing training for middle management development officials, including executive and development heads at the markaz level, and most importantly, development officials at the new LDF branches.

Special attention should be given to upgrading the quality of the introductory training programs being offered, and to providing more advanced training modules, particularly for financial analysis, marketing, information management, project evaluation and development coordination.

Serious efforts should be made to establish a monitoring system backed up with computerized data files, to provide the basis for evaluating the impact of DDI training, and to inform decisions on future policy guidelines for training.

Consideration should be given to reinstating special, short (4-6 weeks) foreign training programs oriented toward exchange of development experiences with relevant countries (rather than classroom studies in foreign universities).

Serious efforts should be made to integrate and coordinate DDI training with the start-up and operation of the Sakkara Training Center.

Short-term technical advisory services should be considered, especially for specialized tasks such as curricula design for new training modules, evaluation of training impacts, etc.

Sources of financing to provide training necessary to achievement of DDI objectives should be identified during the coming fifteen months.

PUBLICATIONS AND PUBLIC RELATIONS

LDF publications are an essential part of the DDI/LDF program. They serve to institutionalize LDF and provide a link to its many internal and external audiences. There is clear need for a comprehensive, developing LDF publications effort.

LDF should establish a publications division to manage distribution of existing publications, as well as to develop new publication ideas and foster their production. This division would give LDF a "public relations" arm in meeting both the target public (rural development leaders at the local level) and the judgmental level (rural development bodies at the governorate and national level).

Its role would be to disseminate information of several kinds: general public relations materials, such as the recently established Newsletter, technical reports, and training materials.

The staff of a publications division would be small, as LDF staff members (with appropriate incentives) would generate case studies, manuals and brochures, coordinated, produced and distributed by the publications division. A budget for printing, translation and distribution, and for incentives to produce these materials, should be established by LDF.

Publications and public relations, particularly with the benefits of the management/information tools provided by the computerized data and information system now well on its way to maturity, are valuable elements in institutionalization. The publications effort of LDF to date has already demonstrated their usefulness.

MANAGEMENT INFORMATION SYSTEM

The initial information system emphasized reporting project status to an external audience--the donor organization, USAID. Attention should now be focused on a Management Information System to meet the needs of the LDF itself and to improve its ability in management activities.

Arabic-language reporting capability is important for using information widely both within LDF central and in the governorate branch offices. Arabic software packages have therefore been acquired for the APPLE II+ machines. Operators have received two weeks on intensive training in the use of these Arabic programs, a data base management system and another statistical program. A reporting system for the Minya branch office using this software is being developed.

Hopefully, an Arabic version of "dBASEII" for use on LDF's new IBM-XT will be received soon so that all data management and reporting can be done without translation into English. This will multiply the number of potential users of the systematic data being generated.

Accounting activities are at the crux of the LDF's operations. With computerization, accounts can be established immediately a loan is approved, checks are issued or repayments received, and the amounts immediately deducted or credited. Balance sheets will be available at any time.

With existing experience and software capabilities in banking systems, LDF can set up a system using the data base software now used for statistical reporting. There are also special accounting software packages available in Arabic for the APPLE II+ and the IBM-XT.

Systematic quarterly and yearly financial follow-up reporting on LDF loan projects are now being undertaken. The

data should be entered in machine-readable files for financial analysis. Assistance and guidance may be needed to keep this activity productive, up to date, and innovative. A thorough survey of financial records of early projects (for which loans are now being repaid), for example, would be a useful exercise in data gathering and a useful tool for analysis.

The case studies on LDF projects undertaken on various levels and on various cases (Bluegrass, LDF Case Study and Manual Writer, USAID-sponsored case study team, Basic Village Services evaluation team report) should be compiled and analyzed to identify project implementation problems and effects on private sector stimulation. This analysis would lead to a framework for systematic data collection and analysis serving future follow-up activities. Optimal use, and direction, of the computer equipment now available puts the data necessary for such studies easily at hand.

Preliminary transfer of machine-readable data files and reporting formats from LDF central office to El Menya and Dakahliya branch offices is planned for June 1984. Still, more interaction and follow-up is required to establish a truly functional management information system, and to facilitate communication and exchange of data. In view of the process required to bring these first two branches on-line in the computerized data management system, careful attention must be given to this process in the next four branch offices.

Transfer of LDF files to dBASEII on the IBM-XT system will make it possible for ORDEV to develop a system for tracking projects by village units. A consistent coding system based on a national geographic code used by relevant public agencies (health, education, agriculture) must be adopted.

ORDEV data management personnel need further training in developing an integrated village-level data system, integrating files, and analyzing statistical data.

Developing additional data bases within ORDEV is possible. For example, priority should be given to identifying and tracking participants in DDI training.

ORDEV would benefit from interfacing with rural development projects sponsored by AID and other donor agencies such as World Bank, FAO, UNICEF, WHO, and other bilateral agencies and private voluntary organizations. For example, Catholic Relief Services (CRS), with some USAID sponsorship, has been active in development of rural small industry activities, including poultry projects, beekeeping, fish farming, and development of agricultural equipment. Interaction of LDF specialists in these areas with other projects could be mutually beneficial.

There is a need for developing cross-organizational seminars and workshops in areas such as poultry and egg production, agricultural machinery, or village information systems, in addition to informal contacts and exchanges of publications. Learning and sharing activities keeping ORDEV up to date with other development agencies' experiences might be an activity that the Sakkara Center could facilitate.

ACCOMPLISHMENTS

LENDING AND LEARNING

As noted in the first section of this report, LDF has made over 600 loans during its first five years of existence. In so doing, LDF has introduced the concept of lending in Egyptian villages, whereas ORDEV had awarded grants for productive projects. LDF has provided a learning experience in management of small enterprises.

Important concepts have been introduced, such as utilizing credit for economic projects, paying interest on loans, measuring economic rate of return, working with technical consultants to gain specialized knowledge, and writing follow-up reports as a method of accounting for and evaluating projects. These experiences have developed entrepreneurial expertise in the villages in most governorates of Egypt, both in village councils and in the private sector. It is significant that ORDEV, observing the success of LDF's lending experience, no longer makes grants for economic projects in villages but now makes loans instead.

LDF ORGANIZATION

In achieving success as a development lending institution, the LDF created the following organizational pattern, based upon the DDI Project Paper, beginning in 1979.

LDF has a staff of 35 and is governed by a twelve-member Board of Directors. The Chairman of the Board is the Chairman of ORDEV. The Board includes:

Undersecretary of State and General Director of ORDEV;
ORDEV Manager for Administrative and Financial Affairs;
Ministry of Finance representative;
2 Governorate Secretaries-General;
2 District Council chairmen;
2 Village Council chairman;
2 governorate ORDEV representatives.

Checchi team members attend the Board of Directors meetings from time to time, as do Egyptian consultants when projects involving their specialized knowledge are under consideration.

The LDF Loan Committee reviews all applications and has power to approve loans up to LE 25,000. Three members of the Loan Committee are General Directors of ORDEV departments, and are appointed by the Board of Directors. The Chairman of the Loan Committee is the ORDEV First Secretary of State.

INSTITUTION BUILDING

The major accomplishment of DDI is the establishment of LDF as a development lending institution that will continue when the Development Decentralization I project is completed.

Creating a viable and successful lending institution such as the LDF has required the thoughtful effort and support of USAID/Cairo, ORDEV, LDF staff, and the Checchi team. The success of the project is a tribute to the important roles played by each organization and by all of them cooperatively. The following five major factors in LDF's development as an institution are described below: LDF Branch Offices; Training; LDF Publications; LDF Information System, and Indigenous Research.

LDF Branch Offices

LDF's lending activity is being decentralized gradually to governorate branch lending offices. During December 1983, LDF opened its first branch in El Menya Governorate in Upper Egypt. The branch office has its own loan committee which approves loans up to LE 25,000 and is responsible for technical assistance and follow-up on LDF loan projects in the governorate. The loan review process, loan terms and interest rates are identical to those of LDF/Cairo. Loans over

LE 25,000 are referred to the LDF central Board of Directors. As of March 31, 1984, El Menya branch had awarded five loans totaling LE 91,500.

In April 1984 the LDF opened its second branch office in Dakahliya Governorate in Lower Egypt. The branch is organized as in El Menya.

The Board of Directors is considering opening branches next in Assiut and Qena. By the end of 1984, LDF plans to have seven branches operating.

Training

The various types of training programs conducted have made a substantial contribution to the institutionalization of LDF. As pointed out at the beginning of this report, almost twice as many persons were trained over the five-year period of the project as had been envisaged in the Project Paper. The following five tables show in detail the magnitude of the LDF training program.

LDF Publications

A very significant step in the institutionalization process was the creation of a number of case studies and manuals used as training guides and for public relations and stimulation of new applications for loans. The case studies and manuals are annexed to this report, and are described briefly below.

These materials were printed in Arabic for distribution to LDF staff, Board and Loan Committee, the governorates, markaz and village local units, LDF trainees, and tc the interested public. A much smaller number are printed in English for distribution to officials in AID/Washington,

TABLE 1. LDF Lo[redacted]l Training

Number of Trainees, by Program, 1982-1984

Program	July 82-June 83	July 83-June 84
Introductory Program for Planning, Management & Evaluation	548	763
Project Preparation & Feasability Studies	98	264
Bookkeeping & Financial Reporting	310	272
Follow-up & Evaluation	140	192
LDF Branch Staff Training	-	35
Introductory Program for Local and Rural Development	2286	1511
Orientation for Village Councils	1075	830
Exchange of Development Experience	405	366
Theme Symposia	806	315
Technical Programs	581	292
Poultry production	288	108
Animal production	145	93
Beekeeping	74	-
Aquaculture	14	24
Agriculture mechanization	25	-
Other (e.g., computers)	35	69
English Language	247	59
At The American University in Cairo	179	39
In the Governorates	95	20
TOTALS:	3689	2625
GRAND TOTAL:		6314

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TABLE 2. DDI Training, Foreign and Local Programs: Number of Trainees by Fiscal Year, Inception to June 30, 1984

Fiscal Year, July 1 - June 20	Ratio: Foreign/ Local	No. & % of Trainees					
		Foreign		Local		Total	
		No.	%	No.	%	No.	%
1979-80	19.8	44	37	222	2.7	266	3.2
1980-81	3.2	25	21	785	9.5	810	9.6
1981-82	2.1	20	17	930	11.3	950	11.4
1982-83	0.8	30	25	3689	44.7	3719	44.4
1983-84	0	0	0	2625	31.8	2625	31.4
TOTAL:	1.4	119	100	8251	100.0	8370	100.0

TABLE 3. DDI Foreign Training: Number of Trainees by Position, Inception to End of June 1984.

Trainees by Position	Number of Trainees by Program			
	USA	Third World	Total	%
Central LDF/ORDEV	31	2	33	27.7
Governorate	28	2	30	25.3
Markaz (development officials, exec. & pop. council heads)	17	4	21	17.6
Head, Executive Village Council	7	27	34	28.6
Head, Popular Village Council	-	1	1	2.5
TOTAL:	83	36	119	100.0

TABLE 4. DDI Foreign Training: Number of Trainees by Position in Central LDF/ORDEV, Inception to June 30, 1984

	Position				
	General Director	Director	Dept. Head	Specialist /Researcher	Total
Central LDF/ORDEV	3	10	5	15	33

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[redacted]

Governorate	GOVERNORATE Sec. Gen.	Asst. Sec. Gen.	ORDEV Head	Dept. Head	MARKAZ Devel. Offic.	Exec. Head	VILLAGE Exec. Head	Pop. Head	TOTAL
Ismailiya				1		1			2
Qaliubia			1	1	1		2		5
Sharqiya			1	1			2	1	5
Dakahliya			1		1	1	4		7
Damietta			1	1					2
Menufia	1	1	1		2				8
Gharbiya				1	1	1*	4		7
Kafr El Sheikh				1	1		2		4
Beheira			1	1	2		5		8
Giza				2			4		6
Fayoum			1	2	1	1			5
Beni Suef					2	1	1		4
Minya	1		1				4		6
Assiut							2		2
Sohag							2		2
Qena	1		1		1	1*			4
Aswan									0
N. Sinai & Port Said				1					1
S. Sinai									0
Red Sea									0
New Valley	1		1	1	1	1			5
Matruh	1			1		1			3
TOTAL	5	1	10	14	13	8	34	1	86

* Popular Head

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USAID/Cairo, and the English-speaking audience interested in LDF.

LDF CASE STUDIES: Case studies on a joint venture egg layer project in Soal Village (Giza), transportation projects in Meit Rahina (Giza) and Abu Sir El Malak (Beni Sweif), and a chicken feed mill project in Atmidah (Dakahliya) were printed in small booklets, with photographs, for wide distribution to all levels of local government and to trainees. The purpose of the case studies is to make local units aware of types of small enterprises they may undertake with LDF financing, and to stimulate applications from villages not yet active in the LDF program. Each case study consists of a brief description of management, operation and capacity, a discussion of economic and community benefits, project background and history, and future plans and directions for the project.

LDF Small-Scale Enterprise Manual: This manual, printed in bilingual format, is a guide for villages interested in starting small, agriculturally-based or other small scale enterprises. Its goal is to stimulate ideas for small enterprises, help villages choose ideas that are most practical, and to help villages plan for successful management of projects. The manual includes guidelines for generating ideas and choosing appropriate enterprises; planning and conducting a detailed feasibility study for the project idea; application and review procedures for LDF loans, and implementing, operating and evaluating the small enterprise once financing is obtained.

LDF Finance Manual: This manual, printed bilingually, is a financial guide for villages starting up small scale enterprises with LDF loans. It covers aspects of finance pertinent to small industries such as

financial planning, types and sources of capital, and special concerns of small enterprise such as use of financial ratios and management of working capital.

LDF Management Information System Manual: This is a guide to LDF's computerized management information system. Its purpose is to help LDF decision makers use the information that LDF routinely stores and retrieves from its computer files. The manual describes the LDF loan process and LDF computer information processing, and presents data tables produced during the loan application phase and the award and repayment phases. The manual also shows how to use and interpret the data tables produced monthly, quarterly and biannually, and describes the computer files in which LDF information is stored. An index of all tables is provided for easy reference. Sixty copies in Arabic were printed in a ring binder format for easy updating, for LDF decision-makers and computer staff use. A few copies were produced in English for USAID and English-speaking members of LDF.

LDF First Cumulative Annual Report, 1980-83: This report, printed bilingually, contains a brief history of LDF, financial information on LDF, and profiles of some innovative LDF projects. It has graphic charts depicting LDF's growth over time, loans by governorate, and LDF's total portfolio. Four hundred copies were produced for distribution to LDF staff, Loan Committee and Board of Directors, ORDEV, the governorates, markaz, and AID/Washington and Cairo.

Factbook I and Factbook II: The LDF Factbook was requested by USAID/Cairo in the autumn of 1983 as a document to be presented to the Minister of

Investment and International Cooperation. It has also proved to be a useful reference about the program for USAID, visiting U.S. Congressmen, and others interested in LDF. Factbook I includes an overview of LDF including DDI/LDF history, LDF organization and operation, lending status as of September 1983 (number and value of loans), and descriptions of technical assistance and training. The bulk of Factbook I is profiles of two LDF projects in each governorate in which LDF lends, with information on project operation, income, and profits.

Factbook II contains similar information, updated to March 31, 1984. Over half of the project profiles were also updated. It also includes a detailed description of each LDF project type, with general manner of operation and management and growth as a type over time. New, non-typical projects financed since September 1983 are also profiled.

LDF History: These booklets, printed in an Arabic version and an English version, give a brief description of the background of DDI/LDF, including its institutional setting, purpose, goals and achievements.

LDF Branch Handbook: This is a guidebook for governorates starting up LDF branch offices. It includes the background of LDF, detailed guidelines for setting up a branch office (staffing, organization, financing, operations, relationship of branch and LDF/Cairo, staff training, project feasibility studies and evaluation, LDF's management information system), and is printed in Arabic in a ring binder format for making changes or additions.

LDF Accounting Manual: For use by local units operating LDF projects, this manual includes basic

accounting procedures, accounting for LDF interest during grace and loan repayment periods, organization of accounting books, and preparation of financial statements and budgets. The manual was produced in Arabic for distribution as needed in training sessions, and an English version was produced as a record.

LDF Aquaculture Manual: This is a guide to the creation and development of fish farms in Egypt. It was distributed widely to governorates, markaz, and village local units.

LDF Training Manual: The LDF training manual has guidelines for planning, monitoring and evaluating training activities. The main topics are: training needs identification based on stages of project maturity; curricula requirements and training plans; implementation of training, and monitoring and follow-up/evaluation of training.

Newsletter: In May 1984 the first LDF Newsletter was produced in 2500 copies and is now being distributed to all village councils. The Newsletter covers important topics related to LDF activities.

LDF Information System

Over the past two years a microcomputer based data management system emphasizing the statistical reporting of LDF activities has been established using APPLE II+ microcomputers.

By the end of June 1984, the major existing files (loan applications and loan repayments) will have been moved from the APPLE to the IBM-XT system, and an integrated data

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system will be in place so that the three main files--loan applications, repayments, and quarterly follow-up data--will be interrelated, with the summary tables and graphic presentations being produced directly from the data base rather than having to be recreated on the keyboard.

The LDF Information System has already made a strong contribution to the institutionalization of LDF and as more expertise is gained in using the computer system, even greater impacts are expected.

Sponsoring Indigenous Research

DDI/LDF has sponsored research in technical areas pertinent to LDF projects. For example, LDF poultry projects will benefit from a research project based at Al Azhar's College of Agriculture. The goal of the research is to identify the strain or strains of egg-laying chickens that are best suited to the various regions of Egypt.

Field stations are being set up at sites in Qena in Upper Egypt and at Menufiya in Lower Egypt, to augment the in-depth investigations being conducted in university facilities at Al Azhar.

Native birds, such as Fayoumi and Matrouh/Sinai, and commercial strains such as High-6 and Lohman selected Leghorns, will be tested for adaptability to local conditions. Preliminary research on Fayoumi birds has been conducted at the university site and research at field sites is to begin soon.

BACKGROUND AND HISTORY

ECONOMIC SETTING OF DDI PROJECT

The geographic and demographic characteristics of Egypt tend to define and delineate the country's current economic issues. Though Egypt is a vast land, nearly 95 percent of it is desert. The inhabited part comprises only some 52,000 square kilometers (20,000 square miles) lying along the banks of the Nile, the Nile Valley and the Delta. The population is estimated at 44 million and is growing at just under three percent per year. This concentrated mass of population means an average density of 800 people per square kilometer of habitable area.

Achieving balanced economic growth in the face of these formidable obstacles is a complex task. The decade 1955-1965 saw fairly rapid and sustained economic growth with a major structural transformation of the economy. It was during this period that the transition from a free public enterprise system to a system characterized by state planning, public ownership of the means of production and wide ranging administrative control of the market took place.

The period after 1965 witnessed a steady decline in the rate of economic growth with notable drops in the rate of investment and domestic savings. The decline was arrested in the late 1960's but recovery did not follow. A combination of heavy defense costs, difficulties in the public sector, pricing policies, foreign trade, investment allocation, and population pressures all prevented the economy from sustaining a recovery.

The "open Door" policy instituted in 1974 renewed prospects for a period of substantial growth, and the future presents substantial opportunities. Within this climate, the Egyptian Government, through the Organization for the

Reconstruction and Development of the Egyptian Village (ORDEV), began to focus in the mid-1970's on the economic development of villages. In present-day Egypt there are a number of financing mechanisms for investment projects. A number of commercial banks operate in the major cities and deal in both local and hard currency. Most of the villages have a branch of the Agricultural Bank, loaning to farmers and taking land and crops as security. While hard to quantify, there are many farmers in villages who borrow from money lenders, and many projects are started with family loans and inheritances.

In addition to lending mechanisms, the Egyptian government provided grants through ORDEV for village projects, through which they could start productive, social and infrastructure activities, or expand already existing ones. A small part of ORDEV grants were applied to financing infrastructure projects--usually referred to as social services and physical structures. ORDEV made grants in the amount of about LE 10,000 ($ 15,000) on the average. The grant was made only after the village council submitted a long-term development plan and identified the projects for which it was requesting the loan funds.

Despite these activities, there was a growing demand for financing that was not being met by these lending mechanisms and thus, LDF loans at discretionary rates found a ready and growing market.

PRELIMINARY STUDIES

Starting in January 1976, USAID, in conjunction with ORDEV, undertook a series of studies designed to identify a project that would assist Egypt with its rural development efforts and serve as a gathering point for more information with which to develop additional projects.

The detailed background and findings of these studies are contained in the following documents which are available in AID/Washington and USAID/Cairo:

1) the Development Alternatives Inc. (DAI) report of March 21, 1976, written by Dr. Charles F. Sweet and Dr. Donald R. Mickelwait;

2) the report, "Local Government in Egypt", by Dr. James B. Mayfield, 1976;

3) the Mayfied report, "Budgetary System in the Arab Republic of Egypt, Its Role in Local Government Development", August 1977, and,

4) Dr. Iliya F. Harik's "Decentralization and Development in Rural Egypt, A Description and Assessment", October 1977.

The idea of the Local Development Fund program was formulated on the basis of these studies.

DDI AND LDF

The LDF program began in May 1978 with the institution of the Development Decentralization I (DDI) program funded by USAID. The DDI project provides for an $18 million capitalization of the Local Development Fund, technical assistance to ORDEV in building and managing LDF as a lending institution, and training of ORDEV, LDF, governorate, markaz and village representatives in the design, planning, and management of profit-making village projects.

The LDF is administered by the Organization for Reconstruction and Development of the Egyptian Village (ORDEV). The LDF makes loans for productive village projects to Popular Councils in twenty-two non-urban governorates in the Arab Republic of Egypt. Loans ranging in size from

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