

PROJECT PAPER AMENDMENT

263-0090

RELIEVING CONSTRAINTS TO INDUSTRIAL PRODUCTIVITY

(Amends and renames Project 263-0090,
Management Development for Productivity)

- Subactivity I: Management Development for Productivity , 1
- Subactivity II: Industrial Technology Application , 3
- Subactivity III: Vocational Training for Productivity , 2
- Subactivity IV: Innovative Productivity Activities , 4

(N.B. The statutory checklist and other standard provisions for PP's have been prepared for the sub-activities and are contained in each of the subactivity annexes. This paper supplies those elements of the PP amendment which explain the financial and managerial interrelationships among the subactivities. Detailed Financial, Economic, Social and Technical analyses are contained in the subactivity annexes.)

PROJECT DATA SHEET

1. TRANSACTION CODE

C A = Add
C = Change
D = Delete

Amendment Number
1

DOCUMENT CODE
3

2. COUNTRY/ENTITY

EGYPT

3. PROJECT NUMBER

263-0090

4. BUREAU/OFFICE

NE

03

5. PROJECT TITLE (maximum 40 characters)

Relieving Constraints to Ind. Productivity

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
09 30 86

7. ESTIMATED DATE OF OBLIGATION
(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 80 B. Quarter 4

C. Final FY 81

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

A. FUNDING SOURCE	FIRST FY <u>80</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	5,676	2,824	8,500	29,776	9,224	39,000
(Grant)	(5,676)	(2,824)	(8,500)	(29,776)	(9,224)	(39,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)					14,084	14,084
TOTALS	5,676	2,824	8,500	29,776	23,308	53,084

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF	700	830		8,500		30,500		39,000	
(2)									
(3)									
(4)									
TOTALS				8,500		30,500		39,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

1. To improve the productivity of the manufacturing sector in Egypt by a process of coordinated transfer of US business technology in the areas of industrial management, industrial manpower development and industrial production technology.
2. To build Egyptian institutional capacity to provide continuing international class technical consulting services to industrial enterprises.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
09 83 06 86

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

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

To expand the original Management Development for Productivity project into a sector level technical assistance effort which addresses managerial, technological, vocational and other generic constraints to industrial productivity in Egypt. The amendment provides a managerial framework in which discrete technical assistance activities in each of these areas can be coordinated to efficiently serve sectoral goals.

17. APPROVED BY

Signature

Title

DIRECTOR

Date Signed

MM DD YY
8 26 81

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

MM DD YY
09 31 81

learn to solve organizational problems in their companies, and send some of them on short missions to the U.S. in issue-oriented, industry-specific task forces.

An Advisory Committee consisting of senior representatives of the Egypt-U.S. Business Council (EBC), the Ministry of Industry and the Ministry of the Economy will provide overall guidance to the MDP and play a key role in selecting the industries and firms in which increased effectiveness will have the greatest overall impact on the economy. MDP implementation will be the responsibility of an American-Egyptian team provided by a U.S. contractor working with one or more Egyptian sub-contractors and/or professional specialists. Professional personnel inputs will consist of 49 person-years, approximately half U.S., half Egyptian. The latter will include university-affiliated staff on a part-time basis.

The principal activity of the MDP will be a series of sequential and overlapping 33 week cycles of management and organizational development services to selected companies. Each of these cycles will focus on a specific industry and will combine in-company management surveys, classroom training for groups of managers from each company, and on-the-job assistance to participating managers in solving specific organizational problems. A fee will be charged for the service from the start.

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Approximately twenty to twenty-five overlapping and sequential cycles will be programmed in the four and a half years of Subactivity I., thus permitting forty to sixty companies to participate. From this target group of companies, the project will train and assist some 500 to 600 key managers.

The training and linked consultancy in Egypt will be complemented by sending 10 to 15% of the participants in small industry-specific teams to undertake issue-centered study visits to firms in the U.S. for one month. They will report back to their industries in Egypt on the way U.S. firms cope with the issues in question, giving their views as to what lessons and technology are appropriate for adaptation and use in Egypt.

Case Studies and an Egypt-specific management simulation will be developed as part of the project. They will be used in MDP training activities and will be made available to local management faculties and training centers.

During the life of the project, activities and results will be continually communicated to the business and management education communities through channels such as industry associations, professional meetings, and the mass media. The aim of this communication will be both to inform various groups and to stimulate demand for the services of this project.

It is expected that by the end of the MDP there will have been significant improvements in the economic performance and the management processes in the target organizations, that one or more private and/or public organizations will be offering similar organization-oriented training and consultancy services with competent staff on a regular basis and that there will be significant use of such services in the industrial sector.

The MDP is divided into two phases. The first phase consists of the initial three year period, during which the US contractor will develop a plan for the institutionalization of the process for modernizing business management in Egypt through consulting services and training. That plan then will be used by the US contractor, the GOE and AID to develop the second phase of the activity emphasizing institutionalization. The bridge between the two phases is expected to be a gradual one based on experience derived during the first three years.

(B) INDUSTRIAL TECHNOLOGY APPLICATION (SUBACTIVITY II)

The goal of the Industrial Technology Application activity (ITA) is increased production and employment resulting from improved industrial productivity and expansion of the

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industrial sector. The purpose of the ITA is (1) to help public, private and joint venture industrial firms to make more productive use of technology, and to identify, assess and introduce new and suitable technology in an effective manner and (2) to institutionalize Egyptian capacity to provide such services.

The problem which the ITA addresses is the absence of an accessible, credible source through which businessmen can find useful information or technical assistance at a reasonable price to help them solve technological problems and/or identify and exploit technological opportunities. It is a significant problem that grows in importance as Egypt's business community tries to respond to the opportunities and pressures of the post-1974 liberalization policies.

The ITA will provide information and technical assistance to the Egyptian public and private industrial sector starting as a first step with in-firm diagnostic studies. This will be followed up by providing technical information in
and helping industrialists identify and arrange for assistance from qualified Egyptian specialists. When the latter cannot be identified, assistance will be obtained from U.S. specialists. Services will be provided to financial



and other institutions serving the industrial community, as well as to members of that community. In addition, the ITA includes a campaign to increase general awareness of technology and the benefits available from systematic selection, improvement and proper use of it. It will spotlight developments likely to be of particular interest to Egyptian industry and generally promote project services. Finally, to ensure that the services are institutionalized, ITA activities will include training for staff involved in service delivery, and consultancy services to strengthen overall management and central support services of the implementing agency.

The ITA will be implemented by a unit to be created within the Engineering and Industrial Design and Development Center (EIDDC) of the Ministry of Industry and Mineral Wealth. The new unit-tentatively ITAP: Industrial Technology Application Program - will have field staff in Alexandria, Upper Egypt and at least one other location, as well as field and data resource staff in Cairo. Professional Egyptian staff will increase from seven at the start to at least sixteen by activity completion. EIDDC/ITAP will be assisted during most of the life of the project by a technical assistance team of three industrial engineers, including a team manager, and for two years by a technical information specialist. AID will finance a host-country contract for this team, short-term U.S. and Egyptian technical assistance at the

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level of approximately 70 p.m.'s for U.S. personnel and up to 150 p.m.'s for Egyptian personnel, U.S. and in-country training (150 p.m.'s), documentation and access to formal and informal information networks as well as commodity procurement such as vehicles, and office equipment. Funds will be obligated for the full five years. GOE will fund costs of EIDDC personnel, office space, support staff for ITAP, staff incentives, most operating costs in Egypt, support from other EIDDC departments and other Ministry agencies, support EIDDC management and support staff services. ITA clients will pay a fee for services received. Nominal at the start, the fee will gradually be raised and its revenues increasingly used to take over local costs from AID and AID-related sources in such a way that fee revenues will fully finance ITAP by the end of the project.

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(C) VOCATIONAL TRAINING FOR PRODUCTIVITY (SUBACTIVITY III)

Subactivity III, Vocational Training for Productivity (VTP) supplements the efforts to improve management and technology in Egyptian industry by addressing a third constraining to productivity: the quality of skilled manpower. The VTP activity aims at improving the quality and relevance of industrial skills that in combination with management and technology have a critical impact on industrial growth productivity and efficiency. The VTP will strengthen the Ministry of Industry and Mineral Resources' (MOIMR) ability to equip entry level workers with skills required by employers, upgrade the skills of employed workers; respond to company specific training problems; and establish skill standards and appropriate trade tests. During the activity special attention will be given to assisting the private sector and increasing skilled employment opportunities for women. The VTP will be initiated in two contiguous pilot regions, Alexandria and the Middle Delta - but emphasis will be given to extending positive experience to the entire country as soon as possible during the life of the project.

The activity will provide approximately 620 months of long and short term technical assistance, about 403 months of

participant training and approximately \$1.9 million of commodities. The AID contribution is \$17.5 million. The GOE contribution is \$5.5 million. The VTP will directly support other GOE efforts to improve the Productivity and Vocational Training department's (PVTD) vocational training system such as building new centers and re-equipping existing centers through World Bank and African Development Bank Loans II and III valued at approximately \$26 million. AID assistance will also strengthen the PVTD's capacity to determine precise equipment needs for the Bank's Fourth Educational loan, now being planned. Technical assistance provided by AID will include analysis of industrial training needs, establishment of instructional competencies and skills standards, preparation of curriculum and instructional materials, instructor training, in-plant training assistance and strengthening PTV D management. Short-term participant training will cover industrial training directors and first line managers as well as upgrading of PVT D staff. Commodities will include equipment to fill training center inventory gaps identified through task analysis, establishment of audio-visual production and delivery capability, materials to increase the amount of practical training, small amounts of training equipment and materials for individual companies, and equipment to establish advanced or specialized training programs in industrial companies.

The Mission recognizes that many of the problem Egyptian vocational training system are complex and need to be more closely examined. Past studies, though valuable in many ways, did not (or perhaps could not) address specific problems which may now exist. Since the Egyptian economy, and managerial methods of dealing with it, are still rapidly changing, gaining clear definite articulation of need is often difficult. The VTP recognizes this problem and is designed to take advantage of the best available information concerning vocational training needs. However, it also recognizes that much information about industry needs and the PVTD system must still be generated and acted upon. Rather than wait for studies to be designed and completed the design has incorporated a dynamic needs assessment process which will activity become an essential element of problem identification and resolution. Furthermore, developing the VTP actively recognizes that companies have immediate training problems that must be resolved. In essence, further problem definition will occur in an operational environment with a capability in the project to develop appropriate innovative responses to those needs of problems.

(D) INNOVATIVE INDUSTRIAL ACTIVITIES (SUBACTIVITY IV)

This subactivity is designed to give the USAID and the GOE flexibility in identifying and responding to other important constraints to industrial productivity.

The pace and extent of structural change in the sector highlights new problems and exposes new opportunities for creative interventions to improve sectoral productivity. In some cases these new opportunities may warrant small, experimental or pilot-type interventions to test the efficacy of more substantial efforts. In other cases, the level of effort warranted to respond to a particular industrial issue may be quite modest and timeliness may be far more important than the magnitude of the effort. To consider a hypothetical example, as the private Egyptian cement producers face relatively rapid adjustments from subsidized fuel to market priced fuel there may be a strong interest in targeted short term TA in the area of energy cost control systems for the cement industry. The funding available under the Innovative Subactivity would provide a mechanism for quick, targeted response to the problem.

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One area where the Mission anticipates use of these funds is the development of integrated diagnostic tools which build on the experience of the management, technology and manpower diagnostic work of the activity contractors. Recognizing that productivity is ultimately not a single measure (some variation of an input/output ratio) but rather a "family" of related measures, we anticipate the need for multi-variable diagnostic tools to assist in clarifying productivity problems in Egyptian enterprises or subsectors which suffer from complex, multi-casual efficiency constraints.

The Innovative Industrial Activity would also provide a vehicle for the conduct of studies and analytic work in the area of industrial productivity. As we increasingly engage the Egyptians in the broad process of transition

from a "materials balance" approach to industrial investment to a market-oriented approach, issues of productivity and efficiency will be at the heart of the process. The innovative activities funds can be used to support initiatives such as developing performance and productivity criteria for public enterprises, adapting international cost-accounting techniques to Egyptian accounting formats, or even small experiments in quality control technique or "productivity circles". Another example - IBRD has worked out a Small Scale Enterprises Credit program with the Development Industrial Bank - but it is dependent on some supporting TA, the costs of which IBRD would like to share with A.I.D. If we were to do this, it could have a significant impact on use of IBRD resources for SSE. It is impossible to detail the precise kinds of small initiatives which might be supported, precisely because the purpose of this sub-activity is to give us the capacity to respond to new issues and new opportunities in the area of industrial productivity. Two strong candidates are: (1) a contract for business consulting services with the IESC and (2) technical assistance inputs for the IBRD Small Scale Enterprise Project. An illustrative breakout of the subactivity

is provided below simply as an indication of the probable ranges of activities, not as an actual listing of currently planned activities:

HYPOTHETICAL BUDGET FOR INNOVATIVE ACTIVITIES
\$3 Million over 5 years

	<u>\$ Per Year</u>	<u>\$ Life of Project</u>
<u>Consultant Teams</u> 3 years per year @ \$12,000/pm	\$110,000	\$540,000
<u>In-Plant Pilot Productivity Activities</u> 4 @ \$125,000	\$100,000 (avg)	\$500,000
<u>Industrial Productivity Studies</u> 2 @ \$50,000 2 @ \$80,000	\$ 52,000 (avg)	\$260,000
<u>IESC Contract</u>	\$100,000	\$500,000
<u>TA Support to IBRD Small Enterprise Project</u>	\$100,000	\$500,000
<u>Training, Observation, Conferences</u> In Egypt: \$25,000/yr Offshore: LT 20 Pyrs ST 100 Pmos	\$140,000	\$700,000
		<hr/> \$ 3 Million

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III. PROJECT STRUCTURE

The structure of the project has two tiers: project structure and activity structure. The project structure provides for overall coordination and management of the sectoral activities both within the USAID and between USAID and the GOE. The activity structures vary with the purpose and scope of the subactivities and the level at which day to day project monitoring and Handbook III responsibilities are exercised. The details of activity monitoring for subactivities I, II, and III are provided in the annexes to this PP amendment. This paper outlines project structure and the activity structure for Subactivity IV: Innovative Activities.

(A) PROJECT LEVEL

The Project is based upon an overall agreement among four parties: The Deputy Prime Minister for Economic and Financial Affairs, the Ministry of Industry, the Ministry of Economy and USAID. The MOI is the principal operating counterpart for the first three Sub-Activities. The Ministry of Economy is the principal operating counterpart for Sub-Activity IV. Each of the subactivities is structured with

counterpart relations with some element of the MOI (in Subactivity I, the MinEcon and Joint Business Council are also counter parts). "Implementing Agency" responsibilities as defined in Handbook III are described in the subactivity annexes. The overall project has no "implementing agency" requirements other than those agreed to within the subactivity agreements with the GOE.

Within USAID, management of the project is assigned to the Assistant Director for Industry and Trade (AD/IT) or to his designee. The project manager will have three distinct roles:

- (A) serves as chairman of the Project Coordinating Committee comprised of all the subactivity managers. His responsibilities in this capacity are advisory rather than executive). Day-to-day activity management (both technical and financial) rests with the designated activity managers. The Chairman of the Committee of Coordination is responsible for the development of procedures which insure the effective flow of information among the subactivities variously between USAID activity managers, among activity contractors, and among Egyptian corporate clients of the subactivities

(B) Directly manages Subactivity IV: Innovative Activities
with all regular Handbook 3 responsibilities

(C) Serves as the manager of the overall project
in matters regarding the operation of the project
as distinct from its subactivities (e.g. is responsible for
inter-activity fund transfers, review of project financial
status, observance of project deadlines such as the
PACD, periodic submissions of PES documents, and any
amendments which may alter either project purpose or
project funding levels). The Project Manager clears
all scopes of work and subobligating documents
(PIO/T's, PIO/P's, PIO/C's, contracts etc), and insures
conformity with the overall intent of the project.

The project coordinating committee is comprised as
follows (staff elements of the Mission participants as appropri-
ate):

- Project Manager (IT) Chairman
- Activity Manager (MDP-Subactivity I)
- Activity Manager (ITA-Subactivity II)
- Activity Manager (VTP-Subactivity III)

This committee is responsible for insuring free and full
information flows among the subactivities. The exercise
of these responsibilities may involve, inter alia:

- regularly scheduled coordination meetings in the USAID
- systematic exchange of reporting documents among
the committee members.

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- development of agreed sectoral and subsectoral priorities for the subactivities (eg food processing could be identified as a priority target for management, technology and vocational inputs).
- development of procedures for a common data base for the subactivities and their respective contractors
- coordination of subactivity evaluations
- developing proposed mechanisms for interrelating Egyptian public aid private sector coordination among the subactivities to assure most effective linkages.
- regular meetings among the subactivity contractors
- systematic exchange of reporting documents among the subactivity contractors
- conferences, meetings or seminars involving the client firms of the subactivities
- systematic referral procedures to direct clients of one subactivity to another subactivity as appropriate

(B) SUBACTIVITY LEVEL PROJECT STRUCTURE

Each subactivity will be managed and monitored by a designated activity manager. At present these designations are as follows:

Subactivity I: Office Director HRDC/S&T or designee

Subactivity II: Office Director HRDC/S&T or designee

Subactivity III: Office director HRDC/EDU or designee

Subactivity IV: AD IT or designee

These subactivity management designations can be reassigned by the Director, USAID as appropriate. The Activity manager will normally be responsible for the following:

1. Prepares (or arranges for preparation of) the PIO/T and related scope of work and assures its appropriate clearance and issuance to initiate the contracting or grant process; after approval by the Project Officer.
2. Participates in the process of selecting the contractor
3. Reviews and clears the draft contract, grant or cooperative agreement and recommends approval to the Project Officer by action memorandum;
4. Participates in/or monitors GOE negotiations with the prospective contractor
5. Maintains personal liaison with the contractor following award of the contract or grant;
6. Monitors the substantive and technical performance of the contractor

7. Assures compliance by the contractor with the terms of his contract and arranges for corrective action for any deficiencies;
8. Analyzes and comments upon reports required from the contractor or grantee; and insures their circulation to the Coordinating Committee & other contractors;
9. Administratively approves contractor or grantee voucher submitted for payment;
10. In consultation with the Project Officer and Contract Officer, assures that scope of work, PIO/Ts, and contracts are revised as necessary so as to reflect agreed upon changes in contract implementation;
11. Evaluates the performance of the contractor; participates with USAID evaluation staff in activity evaluations. Participates in the preparation of the Project Evaluation Summary (PES) in those areas relating to the subactivity;
12. Assures that all relevant documents and correspondence are maintained in the contract or grant file;
13. Makes periodic visits to the site of the site of the project or activity and prepares the standard USAID/Cairo site reports on a scheduled basis.

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14. Serves on the Project Coordinating Committee
15. Participates in sectoral activities sanctioned by the Coordinating Committee such as seminars, meetings and joint-reporting efforts which involve the contracts and counterparts of other project subactivities
16. Insures that contractors and counterparts of the subactivity are fully and regularly apprised of substantive actions in the other subactivities.

(C) GOE IMPLEMENTATION RESPONSIBILITY

The project agreement will be signed by the Deputy Prime Minister for Economic & Financial Affairs, the Minister of Industry and the Minister of State for Economy. Project level implementation responsibility for achieving overall project objectives of relieving constraints to industrial productivity is shared between these two operating ministries (although there are also public sectors companies operating under the aegis of other ministries - eg building materials under Ministry of Housing - which will benefit from the work of each of the four Sub - Activities). All the financing in the project is tied to subactivities, and each subactivity has specific GOE implementation responsibilities:

Management Development (Subactivity I):

Signatory Ministries: (1) Deputy PM, (2) Economy

Implementing body: Project AdCom(MinEcon, Joint

Business Council, Ministry of Industry)

Industrial Technology (Subactivity II):

Signatory Ministries: (1) Deputy PM, (2) Economy and (3)

Implementing body: Engineering and Industrial Design^{Industry}

Center of the Ministry of Industry

Vocational Training (Subactivity III)

Signatory Ministries: (1) Deputy PM, (2) Economy, (3) Industry

Implementing body: Productivity and Vocational Training

Department, Ministry of Industry

Innovative Activities Subactivity IV

Signatory Ministry: Economy

Implementing body: As appropriate

IV. PROJECT FINANCIAL PLAN

(A) Sources and Application of Funds

The total cost of the project is estimated at \$53,084,000. Of this cost AID will provide \$39 Million and the GOE will provide a slightly more than \$14 million in local currency equivalent. GOE contribution will be both financial and in kind and will include a range of user-fees charged to participating companies. The

strategy of charging user-fees instead of leaving all counterpart costs to be met from ministry budgets is an important element of the project strategy to promote corporate efficiency and productivity. Assigning financial costs to inputs (including technical assistance) is an important educational component of the project strategy.

The project will have an initial five year duration beginning in FY 1982 and continuing until FY 1987. However, dependent on whether additional sub-activities are added at a subsequent date (and on whether any of the presently defined sub-activities should subsequently be extended), there could be a longer time frame involved. The disbursement schedules for the four subactivities are detailed in the subactivity annexes. Each subactivity involves a specific GOE implementing agency and has a specific agreed-upon financial plan. All of the plans are summarized in this umbrella document, and the project makes provision for transfer of funds between subactivities when the project management and mission management deem this necessary. Inter-activity transfers are not certain, but rather a contingency provided for in the event of changes in project environment so substantial as to warrant internal reallocation. The financial plans provided in the activity annexes represent the Mission's best judgement of the LOP costs for each activity.

AID funds will be used for all estimated foreign exchange requirements. These total approximately \$31 million or almost 60% of total project costs. Approximately \$9 million of AID financing will be used for local currency expenditures. These funds will support such items as contractor offices, remuneration of Egyptian professional contract staff, baseline studies, policy research, case development costs, and in-country evaluation expenses.

(B) Subactivity Financial Plans

The Mission has carefully reviewed the financial plans for each subactivity and judges these plans to be comprehensive and sound. Each subactivity has been judged to be financially viable, and the mission has determined that the overall objectives of the project can be achieved within the costs and timeframes allowed for in the project.

Five tables are provided to summarize the financial structure of the project. Additional financial details are incorporated in the subactivity annexes. The five tables herein are as follows:

TABLE ONE: PROJECT SUMMARY COSTS AND FINANCIAL PLAN

TABLE TWO: SUBACTIVITY I COSTS AND FINANCIAL PLAN

TABLE THREE: SUBACTIVITY II COSTS AND FINANCIAL PLAN

TABLE FOUR: SUBACTIVITY III COSTS AND FINANCIAL PLAN

TABLE FIVE: SUBACTIVITY IV COSTS AND FINANCIAL PLAN

RELIEVING CONSTRAINTS TO INDUSTRIAL PRODUCTIVITY

EXECUTIVE SUMMARY

PROBLEM: A quarter century of increasingly centralized planning of industry, coupled with administratively determined prices (as opposed to market determined prices) for virtually all industrial inputs from labor and capital to raw materials and virtually all industrial outputs has institutionalized low levels of efficiency in most Egyptian industrial enterprises. Both public and private sector firms have operated in an environment where traditional pricing signals were muffled or absent. The sector is characterized by productivity weaknesses of many kinds:

- on the shop floor:
too many workers with the wrong sets of skills working in inadequate supervisory structures.
- on the production line:
technologically inefficient or inappropriate production equipment, poorly selected and poorly maintained. Input wastage.
- in the warehouse:
excessive inventories (both feedstock and product) reflecting weak planning, uncertainty of input availability, physical rather than financial accounting modes
- at the financial level:
subsidized production inputs (energy, raw materials, etc.) combined with high tariff protection and cheap capital, all leading to inefficient allocations
- in the executive suite:
a few highly skilled managers stretched far too thinly over tiers of less skilled and less motivated middle managers and supervisors

It has been estimated that a 5 percent overall improvement in public sector manufacturing alone would yield an annual dividend of about US \$1 Billion if three conditions were met:

capital efficiency: 5% reduction in the real capital output ratio (i.e., improved capacity utilization)

input efficiency: 5% reduction in the quantity of production inputs (energy, raw materials) per unit output through better waste management and cost accounting.

labor efficiency: 5% reduction in the number of employees required to man each plant (i.e., more efficient use of better skilled labor).

Obviously any such dividend from increased efficiency of public sector companies could have a dramatic effect on the availability of resources for new development purposes.

STRATEGY:

This project capitalizes on the broad consensus among Egyptian managers (public and private) that the "Open Door" policies are sufficiently advanced to permit major attacks on constraints to industrial productivity. It is organized around a recognition that the sources of inefficiency and therefore the routes to improved productivity are multiple and interdependent. A coordinated approach to improvements in industrial management, industrial technology and labor skills forms the strategic centerpiece of the project. Responding to Egyptian industrial needs is not, however, a one-shot or static process. The project, therefore, provides funding to support small scale innovative activities in the industrial sector aimed at productivity gains as the opportunities for these interventions arise.

INPUTS:

The project consists of four technical assistance activities which support and augment the mission's extensive capital investment in the sector:

	<u>AID (\$000's)</u>	<u>GOE</u>	<u>TOTAL (\$000's)</u>
Subactivity I:			
Management Development for Productivity	8,500	3,008	11,508
Subactivity II:			
Industrial Technology Application	10,000	4,576	14,576
Subactivity III:			
Vocational Training for Productivity	17,500	5,500	23,000

	<u>AID(\$000's)</u>	<u>GOE</u>	<u>TOTAL(\$000's)</u>
Subactivity IV: Innovative Productivity Activities	<u>3,000</u>	<u>1,000</u>	<u>4,000</u>
	<u>39,000</u>	<u>14,084</u>	<u>53,084</u>

Each of these four technical assistance activities will involve U.S. and Egyptian business professionals in detailed work with Egyptian firms (private and public). Where appropriate, firms will be referred among the four subactivities (e.g., if a productivity audit under the management activity reveals basic technology problems in an Egyptian food processing firm, they will be referred to the technology subactivity). AID financing will bring international quality business consulting inputs to the best Egyptian firms. The overall aim of the program is to leave behind a more efficient set of public and private manufacturing enterprises and to build a permanent set of Egyptian institutional capacities to provide world-class technical consulting in key areas of productivity (management, technology, manpower development). In an environment where AID is already making heavy resource transfers, this project seeks to make sector-wide transfers of business technology and build sector-wide institutional capacity to continue this technological development.

RECOMMENDATION:

USAID/CAIRO recommends that the Administrator approve this document which formally amends the project paper for project 263-0090 (Management Development for Productivity). The amendment adds grant funds totalling \$30.5 Million to the project and retitles the project Relieving Constraints to Industrial Productivity. The amended and retitled project consists of the four technical assistance activities described above. The restructured project permits efficient mission coordination of productivity-related industrial TA to insure maximum sectoral impact.

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SUMMARY OF AID FINANCED INPUTS BY ACTIVITY AND INPUT CLASS

(US \$000's including inflation & contingency)

	<u>I</u> <u>(MGMT)</u>	<u>II</u> <u>(TECH)</u>	<u>III</u> <u>(VOCED)</u>	<u>IV</u> <u>(INNOV)</u>	<u>TOTAL</u>
Technical Assistance	6,420	8,385	12,351	1,600	28,756
Training	986	776	2,304	1,000	5,066
Commodities	775	337	2,500	300	3,912
Evaluation & Performance Monitoring	307	500	345	100	1,252
Miscellaneous & Rounding Factors	12	2	--	--	14
TOTALS	8,500	10,000	17,500	3,000	39,000

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PROJECT PAPER ANNEXES:

- A. Management Development for Productivity Paper
- B. Industrial Technology Applications Paper
- C. Vocational Training for Productivity Paper
- D.
- E.
- F.

RELIEVING CONSTRAINTS TO INDUSTRIAL PRODUCTIVITY

1. PROGRAM BACKGROUND

Egypt seeks fundamentally to restructure and rebuild its industrial sector over the 1980's. The 1970's witnessed dramatic and sometimes painful political and policy changes which served as the necessary precursor to structural change in the sector. The most dramatic and (for a time) the most controversial of these political changes was the public renunciation of a highly centralized, socialistic and public sector dominated economy to a public commitment of Egypt - in both domestic and international fora - to a liberalized mixed economy in which private sector participation in both trade and industry would play an important role and in which foreign investment and foreign technology would be harnessed in support of national economic development.

Many - both within and without Egypt - optimistically overestimated the rapidity with which the rhetoric of liberalization could be translated into reality.

With the advantage of hindsight, it is not surprising that considerable time was required simply to achieve

popular and bureaucratic acceptance of Egypt's radically redefined economic policies and objectives. Equally, it is not really surprising that a quarter century's effort in building institutions, legislation and staff for a centrally planned state industrial sector would not be easily undone nor easily replaced.

If the 1970's were the years of political restructuring, the 1980's are to be the years of institutional restructuring. Among both politicians and technocrats there is a sharpened awareness that Egyptian industry requires new structures, new systems and new institutions to place it a strong a competitive position regionally and globally. The constraints to growth and productivity in Egyptian industry today are legion. A partial listing of structural and institutional constraints would touch on topics in such areas as:

- industrial management
- industrial engineering
- industrial technology
- manpower skills on the workshop floor
- supervisory manpower skills
- industrial finance
- Equipment and plant maintenance

- input and output pricing policy
- industrial investment incentives
- import and export regulations
- industrial legislation
- taxation and regulation of industry
- environment and worker safety
- industrial infrastructure (incl power, transport, communications)
- etc.
- etc.

USAID's involvement in the industrial sector since 1975 has been extensive. We have directly financed major new plant investment in textiles, cement, pipe production, etc. We have established a structure for substantial rehabilitation of major public sector industrial plant capacity. Our commodity financing has provided substantial quantities of industrial chemicals, industrial raw materials, and industrial equipment and spares to both public and private sector firms, We are supporting technical assistance to the GOE in areas such as tax policy, industrial free zones, development banking, capital market operations, etc. Both on the capital and technical assistance sides we have made some major inroads against discrete obstacles to industrial development

in Egypt. But there is a broad consensus among Egyptian and American observers that significant generic problems continue to constrain growth and productivity improvements within the sector.

Over the past twelve months this consensus has been articulated by the Egyptian Ambassador in Washington, by the Egyptian Minister of Industry, by Deputy Prime Minister Meguid and on the American side by senior officials from both AID and the Department of State. The underlying theme of this position is that a development effort of the scope and scale which the U.S. and Egypt are jointly mounting poses problems and issues which transcend the compass of conventional AID projects and programming tools. The structural and institutional characteristics of the industrial sector as whole are dynamically interdependent upon one another - new technologies pose new management demands, new management systems demand altered performance from the workers on the shop floor, the rigors of the export market demand new levels of quality control and new production technology. Single USAID-financed project interventions can never adequately encompass the full range of these complex and changing interactions across

the full spectrum of the Egyptian industrial sector. Unforeseen requirements arise which fall outside the scope of ongoing projects and the ongoing projects themselves give rise to new needs as a byproduct of their own success.

From both the Egyptian and AID perspectives, there is substantial merit to the establishment of sectoral program tools which will permit faster, more flexible and more integrated technical assistance to relieve constraints to growth and productivity in the Egyptian industrial sector.

This PP amendment outlines the framework within which USAID CAIRO intends to manage and coordinate sectoral technical assistance for public and private sector industry. The framework proposed is in no way intended to replace or diminish discrete, targeted project assistance (both capital and technical); rather, it is intended to direct technical resources rapidly and effectively in those generic areas of the sector where the project mode is inherently insufficient. This is the second sector (Energy was the first) where we have determined that sectorally structured TA is an appropriate supplement to our project portfolio.

II. PROJECT DESCRIPTION

The Project, entitled Relieving Constraints to Industrial Productivity (RCIP), is a management framework for sectoral technical assistance activities. It provides a setting for technical and financial management of discrete (but integrated) packages of activities directed to particular sectoral constraints. The principal elements of RCIP are four at this time;

- Subactivity I: Management Development for Productivity
- Subactivity II: Industrial Technical Application
- Subactivity III: Vocational Training for Productivity
- Subactivity IV: Innovative Industry Sector Activities

The first three of these are fully described in PP documents which are subsumed within this PP amendment as annexes.

A summary recap of the three illustrates the conceptual inter-relations among the activities, the Fourth Sub-Activity is described in Part IID below. Other discrete Sub-Activities may be defined in the future. If this should occur, they would be justified through the normal PID/PP amendment process.

(A) MANAGEMENT DEVELOPMENT FOR PRODUCTIVITY (SUBACTIVITY I)

The goal of the Management Development for Productivity subactivity (MDP) is to increase Egyptian industrial organization effectiveness particularly in terms of productivity. The purpose of the MDP Subactivity is to improve management in 40 to 60 public and private sector business organizations, and to increase the demand for, and the supply of effective management and organizational development services in Egypt. To accomplish this, the MDP will train key managers in selected firms and industries, assist them in applying what they

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TABLE I

PROJECT: RELIEVING CONSTRAINTS TO INDUSTRIAL PRODUCTIVITY

SUMMARY COST ESTIMATE AND FINANCIAL PLAN (Summurizes Activity Financial Plans)

(U.S. \$000'S)

PROJECT No. 263-

	<u>AID</u> <u>(FX+LC)</u>	<u>GOE</u> <u>(LC)</u>	<u>TOTAL</u> <u>(FX + LC)</u>
Subactivity I (Management)	8,500	3,008	11,508
Subactivity II (Technology)	10,000	4,576	14,576
Subactivity III (Vocational)	17,500	5,500	23,000
Subactivity IV (Innovative Act.)	3,000	1,000	4,000
PROJECT TOTAL	<u>39,000</u>	<u>14,084</u>	<u>53,084</u>

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TABLE 2

SUBACTIVITY I: MANAGEMENT DEVELOPMENT FOR PRODUCTIVITY

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(\$000)

SOURCE	A I D			GOE *	OTHER GOE	COMBINED		
	FX	LC	TOTAL			FX	LC	TOTAL
<u>USE</u>								
<u>DIRECT PROJECT</u>								
Tech. Assist.	3,612	816	4,428	1,116	---	3,612	1,932	5,544
Sp. Tr. Comp.	420	265	685	---	443	420	708	1,128
Off, Fac. & Equip	40	495	535	---	---	40	495	535
Eval. & Surveys	83	129	212	---	---	83	129	212
Total Direct	<u>4,155</u>	<u>1,705</u>	<u>5,860</u>	<u>1,116</u>	<u>443</u>	<u>4,155</u>	<u>3,264</u>	<u>7,364</u>
Indirect	---	---	---	---	238	---	238	238
Contingency	314	128	412	84	50	314	262	576
Inflation	1,207	991	2,198	655	422	1,207	2,068	3,275
<u>Project Total</u>	<u>5,676</u> =====	<u>2,824</u> =====	<u>8,500</u> =====	<u>1,855</u> =====	<u>1,153</u> =====	<u>5,676</u> =====	<u>5,832</u> =====	<u>11,508</u> =====

Fees charged to particular companies

TABLE 3

SUBACTIVITY II: INDUSTRIAL TECHNOLOGY APPLICATION

SUMMARY COST ESTIMATE AND FINANCIAL PLAN

Inputs	<u>AID</u>		<u>GOE</u>		<u>TOTALS</u>		<u>TOTAL</u>
	<u>FX</u>	<u>LC</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>		
I.a. Per, LT & Support	1,658	374	331	1,658	705		2,363
I.b. Per, ST &							
1. U.S.	790	270	-	790	270		1,060
2. Egyptian	-	346	71	-	417		417
II. Services	675	-	-	675	-		675
III. Info. Dis.	81	181	-	81	181		262
IV. Training	432	64	-	432	64		496
V. Commodities	216	-	-	216	-		216
VI. Operations	72	165	141	72	306		378
VII. Special Costs	10	6	246	10	252		262
VIII. Evaluation	51	29	-	51	29		80
X. Contractor, Overhead & Fee	1,000	-	-	1,000	-		1,000
IX. Ind. Support	-	-	1,778	-	1,778		1,778
UBTOTAL	4,985	1,435	2,567	4,985	4,002		8,987
Inflation	2,151	939	1,809	2,151	2,748		4,899
Contingency	372	118	200	372	318		690
Total	<u>\$7,508</u>	<u>\$2,492</u>	<u>\$4,576</u>	<u>\$7,508</u>	<u>\$7,068</u>		<u>\$14,576</u>

TABLE 4

SUBACTIVITY III: VOCATIONAL TRAINING FOR PRODUCTIVITY

SUMMARY OF COST ESTIMATES AND FINANCIAL PLAN

	(In US \$000's)		
	FX	LC	TOTAL
AID			
<u>Contract Cost</u>			
Personnel Services	4,150	1,200	5,350
Participant Training	1,571	123	1,694
Commodities	1,860	-	1,860
Miscellaneous	69	681	750
Overhead & Fee	2,982	-	2,982
	<hr/>	<hr/>	<hr/>
Total Contract	10,632	2,004	12,636
<u>Other Costs</u>			
Evaluation	39	15	54
Special Consultants	200	-	200
	<hr/>	<hr/>	<hr/>
Total Other	239	15	254
Sub-Total AID	10,871	2,019	12,890
<u>Contingency</u>	806	150	956
<u>Inflation</u>	2,681	973	3,654
Total AID	<hr/> 14,358	<hr/> 3,142	<hr/> 17,500
GOE			
<u>Other Costs</u>			
Personnel Services	-	3,400	3,400
Office Space	-	36	36
Miscellaneous	-	208	208
	<hr/>	<hr/>	<hr/>
Sub-Total GOE	-	3,644	3,644
<u>Inflation</u>	<hr/> -	<hr/> 1,856	<hr/> 1,856
Total GOE	-	5,500	5,500
PROJECT TOTAL	<hr/> 14,358	<hr/> 8,642	<hr/> 23,000
	=====	=====	=====

TABLE 5

SUBACTIVITY IV: INNOVATIVE ACTIVITIES

SUMMARY OF COST ESTIMATES AND FINANCIAL PLAN

(In U.S. \$000's)

	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
<u>AID</u>			
Personnel Services	900	400	1,300
Participant Training (local & offshore)	700	300	1,000
Commodities	200	100	300
Contingency	<u>300</u>	<u>100</u>	<u>400</u>
	2,100	900	3,000
<u>GOE</u>			
Personnel Services		300	300
Offices & In Kind		400	400
Miscellaneous		300	300
		<u> </u>	<u> </u>
PROJECT TOTAL	<u>2,100</u>	<u>1,900</u>	<u>4,000</u>

V. PROJECT EVALUATION PLAN

While detailed activity evaluation plans are provided in each subactivity annex, there is an important need for sectoral evaluation of the project's impact upon the basic problem of industrial productivity. This will require the development of productivity measures (or, where the precision of productivity "measures" cannot be attained, then aggregate productivity "indicators" will be developed). The evaluation framework of the project will seek verification of productivity gains at three levels:

- enterprise level (through subactivity evaluations)
- subsector level (e.g., the cement subsector,
or the private electronics subsector)
- sector level (national, aggregate measures
and indicators of productivity in
the manufacturing sector).

The initial analytic work on developing sector level measures will be financed through the "Innovative Productivity Activities" budget of the project. Based on mission review and analysis of this work, a sector level external evaluation system will be established

by the 12th month after the signing of Implementation Letter One. Both the Ministry of Industry and the Ministry of Economy will be directly involved in the establishment of baseline measures and in the design and implementation of a five year evaluation plan. It is anticipated that two major external evaluations at the sector level will be conducted - one in September 1983 and one in the 48th month following this PP amendment. The content, scope and composition of these external evaluations will be determined during the evaluation design stage. A total of U.S. \$100,000 will be reserved from Subactivity IV funds to cover project level evaluation work. Subactivities I,II and III have discrete activity-level evaluation budgets.

UNCLASSIFIED

INTERNATIONAL DEVELOPMENT

COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

PROJECT PAPER

EGYPT

MANAGEMENT DEVELOPMENT

FOR PRODUCTIVITY

PROJECT NO. 263-0090

GRANT

1980

UNCLASSIFIED

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PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE
3

2. COUNTRY/ENTITY
EGYPT

3. PROJECT NUMBER
263-0090

4. BUREAU/OFFICE
NE

5. PROJECT TITLE (maximum 40 characters)
Management Development for Productivity

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
MM DD YY
09/30/85

7. ESTIMATED DATE OF OBLIGATION
(Under "8." below, enter 1, 2, 3, or 4)

A. Initial FY 80 B. Quarter 7 C. Final FY 80

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

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(5,676)	(2,324)	(8,500)	(5,676)	(2,824)	(8,500)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country		3,008	3,008		3,008	3,008
Other Donors						
TOTALS	5,676	5,832	11,508	5,676	5,832	11,508

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FH	664	790				8,500		8,500	
(2)									
(3)									
(4)									
TOTALS						8,500		8,500	

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)

700 840 830 615

11. SECONDARY PURPOSE CODE
799

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code TNG

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

1. Improve management in selected public and private sector business organizations.
2. Increase supply of, and demand for, effective management development and organization development services in Egypt.

14. SCHEDULED EVALUATIONS

Interim MM YY 02/83 Final MM YY 06/85

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS, NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

17. APPROVED BY

Signature

Title

[Handwritten Signature]
Director

Date Signed

MM DD YY
16/14/85

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

MM DD YY
06/16/85

USAID PROJECT COMMITTEE

James Riley, Chairperson	S&T
John Blackton	PRM
Raymond DeBruce	CON
Bunyon Bryant	LEG
Thomas Tifft	IDPS
G. Flores	PRM

AID/W PROJECT COMMITTEE

Thomas McDonough, Chairperson	NE/TECH/HRST
Bert Porter	NE/EI/E
Sid Chernenkoff	NE/DP
John Romagna	NE/SA
Sheldon Bulkin	NE/PD
Ted Carter	GC/NE
Kenneth Kornher	DS/RAD
James Cutrera	SER/CM

USAID PROJECT APPROVAL OFFICER

Donald Brown	Director
--------------	----------

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A. EXECUTIVE SUMMARY

PROBLEMS. Although Egypt has achieved generally favorable patterns of distribution of income and services, the level is well below what could be produced with the resources being used. On any measure, productivity is low. While the Egyptian environment puts many constraints on industrial enterprises which may put technologically attainable levels of productivity out of reach, management is still a key determinant of the levels that are attained. There are well-run, effective Egyptian enterprises, but Egyptian industry needs far more managers who can cope effectively with the integrative management process and the various functional areas of management. The return on AID's portfolio of investments and all of Egypt's efforts to improve productivity will be disappointing as long as the need for improved management is not met.

STRATEGY. The MDP project is user-oriented. Attention is to individuals and organizations, learning and application of skills, top and middle management, and managing in the Egyptian environment. The key instrument combines company diagnostic with classroom training and follow-up consulting for groups of managers from companies in selected industries. This is to solve real problems with an economic impact and to develop a "critical mass" of skilled, motivated managers in each company to ensure continuing impact. High performing managers will form industry task forces to study and report on U.S. firms' approaches to issues of Egyptian concern. Half of professional personnel inputs will be Egyptian, via arrangements to be made by a U.S. contractor with AID approval. Local capability to deliver these services will be enhanced through increased ability of Egyptian staff, and of any Egyptian organization providing that staff under a sub-contract, a likely arrangement we shall encourage. Guidance will come from the Egypt-U.S. Business Council, Ministry of Economy, and Ministry of Industry and Mining.

RELATIONSHIP TO CDSS. The primary criteria of the country development strategy in the 1982-1986 period are concerns of stability, productivity, and equity. During the recent past, stability has had top priority. It will continue to be important, but productivity and equity will now have higher priority than has been the case. Productivity is central to the liberalization of the Egyptian economy. Thus, we are targeting our investments to have the greatest possible impact on productivity. An important element in our strategy is an emphasis on management, planning and key issues associated with productivity, along with the investments we are making in the rehabilitation and expansion of the industrial, infrastructural and agricultural base in Egypt. This project is part of that emphasis.

B. RECOMMENDATIONS

USAID/Cairo recommends that AID/W approve a grant to the Government of Egypt (GOE) in the amount of \$8.5 million. USAID also recommends that the full sum required for this project (\$8.5 million) be obligated in FY 1980. Further, it recommends that a determination be made pursuant to Section 612(b) of the Foreign Assistance Act to permit dollar financing of local currency costs. Such costs represent half of total costs. Egyptian sources will pay approximately 26% of total project cost, which we consider the most it is reasonable to expect in such a case.

Summary of Proposed Funding (All 4.5 Years)
(All in terms of \$000)

<u>Inputs/Source</u>	<u>AID</u>		<u>GOE</u>	<u>Total</u>
	<u>US\$</u>	<u>LE*</u>	<u>LE*</u>	
Technical Assistance	3,612	816	1,116	5,544
Special Training Components	420	265	443	1,128
Office, Facilities, Equipment	40	495	-	535
Evaluation & Surveys	83	129	-	212
Subtotal	4,155	1,705	1,559	7,419
Indirect Costs	-	-	238	238
Contingency	314	128	134	576
Inflation	1,207	991	1,077	3,275
Total	5,676	2,824	3,008	11,508

* Dollar equivalent.

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C. DESCRIPTION OF THE PROJECT

The goal of this 4.5 year management and organization development project in Egypt is to help increase industrial organization effectiveness, particularly in terms of productivity. Project purpose is to improve management in 40 to 60 public and private sector business organizations, and to increase the demand for, and the supply of effective management and organization development services in Egypt. To accomplish this, the project will train key managers in selected firms and industries, assist them in applying what they learn to solve organizational problems in their companies, and send some of them on short missions to the U.S. in issue-oriented, industry-specific task forces.

An Advisory Committee consisting of senior representatives of the Egypt-U.S. Business Council (JBC), the Ministry of Industry¹ and the Ministry of the Economy will provide overall guidance to the project and play a key role in selecting the industries and firms in which increased effectiveness will have the greatest overall impact on the economy. Project implementation will be the responsibility of an American-Egyptian team provided by a U.S. contractor working with one or more Egyptian sub-contractors and/or professional specialists. Professional personnel inputs will consist of 49 person-years, approximately half U.S., half Egyptian. The latter will include university-affiliated staff on a part-time basis.

The principal activity of the project will be a series of sequential and overlapping 33 week cycles of management and organizational development services to selected companies. Each of these cycles will focus on a specific industry and will combine in-company management surveys, classroom training for groups of managers from each company, and on-the-job assistance to participating managers in solving

1. Throughout the Project Paper this refers to the Ministry of Industry and Mining.

specific organizational problems. A fee will be charged for the service from the start.

Approximately twenty to twenty-five overlapping and sequential cycles will be programmed in the four and a half years of the project, thus permitting forty to sixty companies to participate. From this target group of companies, the project will train and assist some 500 to 600 key managers.

The training and linked consultancy in Egypt will be complemented by sending 10 to 15% of the participants in small industry-specific teams to undertake issue-centered study visits to firms in the U.S. for one month. They will report back to their industries in Egypt on the way U.S. firms cope with the issues in question, giving their views as to what lessons and techniques are appropriate for adaptation and use in Egypt.

Teaching cases and an Egypt-specific management simulation will be developed as part of the project. They will be used in project training activities and will be made available to local management faculties and training centers.

During the life of the project, activities and results will be continually communicated to the business and management education communities through channels such as industry associations, professional meetings, and the mass media. The aim of this communication will be both to inform various groups and to stimulate demand for the services of this project.

It is expected that by the end of the project there will have been significant improvements in the economic performance and the management processes in the target organizations, that one or more private and/or public organizations will be offering similar organization-oriented training and consultancy services with competent staff on a regular basis,

and that there will be significant use of such services in the industrial sector.

The project will be divided into two phases. The first phase will consist of the initial three year period, during which the US contractor will develop a plan for the institutionalization of the process for modernizing business management in Egypt through consulting services and training. That plan then will be used by the US contractor, the GOE and AID to develop the second phase of the project emphasizing institutionalization. The bridge between the two phases is expected to be a gradual one based on experience derived during the first three years.

D. SUMMARY FINDINGS

This project comes at a very opportune time. The economy of Egypt is being liberalized, public sector firms are under considerable (and growing) pressure to increase productivity, and the management education community is anxious to do precisely the kinds of things proposed here after many years of ineffective alternative approaches to meeting management needs. There are certainly environmental constraints of a legal, bureaucratic or other nature which limit what managers can accomplish, but it is equally clear that within those constraints improved management can result in significant productivity improvements.

Project design is based essentially on inputs from Egyptian business, education and government circles, and is consistent with lessons AID has learned from recent experiences elsewhere. We are confident that it is feasible and sound, in both technical and social terms.

The project has been effectively conceived to ensure that the effects are felt by organizations, not only individual managers, and that project impact spreads well beyond the individuals and even the companies directly involved. While there is no pre-selected local organization in which the delivery of project services is to be institutionalized, we consider this a strength for this project in this context. Effective institutionalization is at least as likely with the approach used here as with any alternative, and other risks have been decreased with this approach. As is noted in the discussion of project issues, resources and practices in Egypt create several options, and preliminary

indications are that this approach will draw in the most qualified organizations and individuals.

Financial viability depends on the readiness of companies to pay fees which are less in terms of daily cost per participating manager than local private and public firms are now paying for executive seminars (which do not offer the in-company assistance and other additional outputs of this project). Given this, and the increasing pressures on companies (particularly in the public sector) to attain higher levels of productivity, we consider the project financially viable. Least-cost and break-even analyses, complemented by recognition of qualitative considerations, also persuade us of its economic feasibility.

This project is ready for immediate implementation once the Project Paper is approved. The Egypt-U.S. Business Council and the GOE are anxious to have this follow-on to the MMEP pilot activity operational as soon as possible. The Mission would also like to see it move forward rapidly and to have a contract signed by early December.¹ This would permit work to begin in January of 1981 and the first training cycles to start before the summer.

The project meets all applicable statutory criteria. The Statutory Checklist is attached as Annex E.

E. PROJECT ISSUES

The principal issues that have come up in discussion within AID and with Egyptians are discussed here and, where appropriate, in the text of the Project Paper.

Capacity Building and Institutionalization

USAID has a clear intellectual preference for building on established institutional bases. We also recognize that

1. See Annex D for a Network Analysis of the process of moving from Mission Project Paper approval to contract signature.

the histories of the principal management institutions in Egypt make this an objective more easily articulated than achieved. We are not, however, proposing to create a new major management training institution in Egypt. It is our view that present capacity in this area is adequate in terms of trained Egyptian specialists, and even of numbers of institutions. However, there is no one institution whose mission, capacity and image with the target population are appropriate to the lead role in a project with the aims of MDP. One of the aims of the project is to change that situation, at least in terms of the capacity and image of local management institutions, and preferably also in terms of mission.

This project will draw significantly on existing Egyptian capacity and will increase it. We would like to see the U.S. contractor join forces with an Egyptian management training institute (e.g. a university business department) or a consortium of such organizations. In practice, we expect this to happen. However, our experience in "arranging" such "marriages" has not been encouraging. Thus, while we insist on a major role for the Egyptians and would prefer that this be through management education institutions, we accept the possibility that the contractor may have to work through a private group or firm, or individual Egyptian specialists.

Regardless of the organizational arrangements, the project will result in increased Egyptian capacity to deliver the type of service it offers. This will be embodied in,

- Individual Egyptian professionals, whose knowledge, skills and experience will have increased through their work as full-time or part-time project staff;
- Egyptian management educational institutions, which will have open access to all training materials developed by and for the project, and will have staff who have increased their knowledge of Egyptian management realities by having developed cases under project auspices and/or by having done training and consulting with the project on a part-time basis (normal practice in Egypt); and

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- Any post-project combination of project staff members in a private or public organization (e.g. a firm or a faculty) to provide similar services after termination of AID support.

Only to a limited extent should the MDP project be compared with projects designed primarily to increase local ability to deliver the services offered by the project, and even then weaknesses in highly directive designs must be acknowledged. In this case, the design is such as to increase capability, but without AID prejudging in the design phase the way in which the increased capability is to be institutionalized. The institutional base and experienced professionals already exist in Egypt; we will leave it to the more motivated among them to ensure that they benefit from the project. Indications are that interest will be high.

Equally important in this project is its impact on the effectiveness of industrial organizations and individual managers. Viewed in this light, it might be compared with the predecessor MMEP pilot activity under which 96 Egyptian middle managers went to the U.S. and spent six weeks in classroom training and six weeks in business internships. As is noted in later parts of the Project Paper, the present project will cost AID roughly the same amount per manager trained as did the MMEP effort, but will produce several complementary outputs not offered by that approach. Of prime importance among these is the enhancement of local service delivery capability as noted above.

Balance Between Purposes: Institutionalization vs Productivity

There will inevitably be times when the two project purposes will appear to pull in opposite directions. For example, there may be times when a decision must be made whether to start an additional cycle with industry or de-

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vote the same resources to developing training materials or sending MDP staff for advanced training abroad. To some extent the existence of specific project objectives (anticipated outputs) in quantitative terms (of cycles, organizations, managers) helps to resolve such conflicts. However, problems will still arise. They are the more likely to arise if the contracting organizations have their own internal reasons for being more inclined toward one purpose or the other (e.g. an educational institution interested in non-project as well as project applications of training materials and advanced training for its own staff temporarily with the project). The AID project manager will have to be attentive to the need to maintain balance between the two purposes from the time of contract negotiation through project completion.

Mission Contract¹

Proposals will be reviewed in Cairo, with the participation of the involved ministries and the Egypt-U.S. Business Council. Contractor selection will be made in Cairo and the Mission will be the contracting agent for AID. We consider this very important to ensure the involvement of people familiar with the local situation and to put contract management responsibility near to those with primary responsibility for implementation, virtually all of which will be in Egypt.

Public vs. Private Sector Clientele

In terms of capital investment, the greatest part of industrial plant capacity in Egypt is in the public sector, although the private sector is an important and growing

1. A direct AID contract is recommended for reasons stated in Annex J.

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contributor to industrial production. The project will serve both sectors. Given the dynamic character of the balance between public and private industrial investment, the project will have the flexibility to adjust to changes in the public/private mix. The Advisory Committee overseeing the project represents both sectors and will help ensure appropriate balance. At the same time, the autonomous character of the project will insulate it from pressures that might otherwise prevent such a balance.

The Project and the USAID Industrial Portfolio

We do not intend for this project to be limited to servicing the industrial enterprises which USAID supports in Egypt with capital financing. However, the project can, and may serve these enterprises. Thus, we do not envisage reserving "space" for them, but we assume that the selection process and criteria anticipated and set forth in the Detailed Description will result in some of these enterprises benefiting from the project.

Size of Enterprise Served

We do not propose a formula (e.g. assets or number of employees) to determine eligibility. However, our concern with impact at the national level leads us to assume that large and medium enterprises will be the primary clientele. This will mean larger firms in the case of the public sector and smaller ones in the private, given the characteristics of firms in the two sectors. Micro and very small scale firms have different requirements and are omitted from this project.

Egyptian Management Environment

We recognize that the overall management environment in Egypt creates serious constraints for any manager.

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Through present activities with the General Organization for Industrialization (GOFI) and the financial community, and through anticipated activities (e.g. in vocational training), AID is--and expects to be--contributing to the improvement of the general management environment. At the same time, the GOE is moving in the same direction, for example through the loosening of central control over public enterprises currently under consideration. This program is designed to help managers become more effective in their current environment and to adapt to changes in their environment. The environmental changes occurring are not essential to project success, but they are complementary. They will make the project more effective, and the project will do the same for them. (See also page 30-31).

Cost Recovery vs. Subsidy

The consensus among Mission officials and Egyptian management educators and businessmen with whom the matter has been discussed is that organizations should pay a part of the cost of project services from the beginning. This is planned. We expect the rate charged to increase during the life of the project, but preferably only once or twice, depending on inflation and related economic factors. We would expect the fee charged during the latter part of the project life to be only moderately below what would be required to cover the cost of a full Egyptian effort. This appears to be quite feasible, considering rates per day currently being paid in Cairo for 3 to 5 day executive seminars without the in-company aspects of MDP.

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PART 2: PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. BACKGROUND

In 1974, Egypt began moving away from the reliance on centralized planning and control of its economy which had dominated its approach to development for two decades. Since then, the government has rapidly liberalized economic policies, giving a growing role to market forces and encouraging private investment by both Egyptians and foreigners. It seeks thus to obtain the increases in national and per capita income and in quality of life past policies have not produced, and to undo the negative effects of those same policies and decades of intermittent war.

AID's country strategy supports these efforts of the GOE. Overall AID investment strategy for the 1981-1986 period emphasizes increasing the productivity of all sectors of the economy while preserving the generally favorable patterns of distribution of income and services which Egypt has achieved. While much net economic growth in recent years has been the result of exogenous factors (worker's remittances, a rise in the export price of oil and the "rediscovery" of Egypt as a tourist destination), returns on present capital plant - both productive plant and infrastructure plant - are low. Production and infrastructure plant are generally operating below design capacity and productivity is low by almost all measures; output per worker, output per unit of capital, output per unit of revenue, etc. AID's overall investment portfolio is aimed at improving productivity in a variety of ways - replacing worn out elements of capital plant, shifting production technology to a higher base, improving the range of financial instruments which support production and making well-targeted inputs into key management areas of important parts of the productive sector.

In 1977, the Egypt-U.S. Business Council, a private bi-national association, proposed that AID support a management development program that would take Egyptian managers to the U.S. to learn to operate effectively in a competitive environment similar to that expected to evolve in Egypt, and to introduce them to modern American management skills, techniques and concepts. The result of this initiative was the Middle Management Education Program (MMEP), the forerunner of the proposed project. Prior to making a long-term commitment, AID approved a one-year pilot activity for 100 Egyptian middle managers as an experimental effort to determine the feasibility of this approach to training Egyptian managers.

The MMEP pilot activity was implemented in 1979. An evaluation in early 1980 concluded that the activity succeeded in familiarizing nearly 100 Egyptian middle managers with U.S. management practices and techniques, and with the U.S. business environment, as was its objective. However, the evaluation also concluded that there is a need for a more comprehensive approach to management development in Egypt.

The evaluation and a parallel management needs assessment reinforced the view of many observers that management capability and performance are important determinants of productivity and general effectiveness of business organizations in Egypt, and that they can be improved. In the needs assessment study, (see Annex B), extensive inputs from private and public sector managers and from Egyptian management educators led AID consultants to conclude that what is needed and desired is management development that focuses on the organization as well as the individual, has an impact on organizational effectiveness, solves specific problems, stresses application as well as learning of skills, involves top as well as middle management, is based on Egyptian reality and is flexible.

AID has authorized the addition to the MMEP activity of a modest in-country follow-on component to endeavor to increase the impact of that pilot activity on the organizations whose managers took part in the U.S. training and internships in 1979. However, the Mission has decided that there should also be a major follow-on to the pilot activity and that it should respond to the findings of the needs assessment. The resulting program design is described in the project paper. It is a natural complement to AID's programs in support of industrial rehabilitation and revitalization, of increasing productivity and of the Open Door Policy to stimulate foreign investment. It has the full support and sponsorship of the Egypt-U.S. Business Council as well as of the GOE.

B. DETAILED DESCRIPTION

The goal of the Management Development for Productivity Project (MDP) is to increase the effectiveness of business organizations in Egypt, particularly effectiveness as measured in economic terms, with a stress on productivity. To attain this goal, MDP's purpose is to:

- Improve management in selected public and private sector business organizations, and
- Increase supply of, and demand for, effective management development and organization development services in Egypt.

The project will give first attention to those industries considered high priority by the Government of Egypt (food, construction materials and textiles), but will also be open to other important industries, such as chemicals, metallurgy, banking and tourism. It will serve large and medium-sized firms in both private and public sectors.

By the end of the project in 1985, we expect MDP activities to have helped bring about significant improvements in 40 to 60 business organizations. These improvements will

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be reflected in

- Economic performance (e.g. actual change, and both absolute and relative rates of change in such measures as cost/unit produced, sales, profits, market share), and
- Management (e.g. changes in teamwork, orientation to organization objectives, information flows, clarification of individual roles within the organization, establishment of appropriate incentive systems and measures of performance, effective long-term planning and control systems).

End of project status will be

- This improved performance of enterprises in key sectors,
- The existence of one or more private and/or public sector organizations offering organization-oriented training/consultancy services with competent staff on a regular basis, and
- Significant use of these services in the industrial sector.

The MDP will be implemented by a team of eleven full-time or equivalent Egyptian¹ and American management trainers/consultants under the direction of a U.S. contractor and, in all likelihood, an Egyptian sub-contractor. It will be sponsored by, and officially dependent on the Ministry of Economy, but will be administratively self-sufficient. Policy direction, guidance in the selection of client firms, and access to business and government leaders will be ensured by an Advisory Committee (AdCom) representing the Ministry of Economy, the Egypt-U.S. Joint Business Council, and the Ministry of Industry.

The project will begin with a start-up period of four months followed by

- twenty to twenty-five overlapping and sequential cycles in Egypt, each lasting thirty-three weeks and consisting of,

1. Some of the Egyptians will be engaged part-time, as in the case of management professors preparing case studies.

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- diagnostic studies to identify organizational problems on which to focus during the cycle,
 - training of 25 key managers in industry-specific groups, and
 - application by the managers of their enhanced skills (with MDP support) to solve the problems in their firms identified with top management during the diagnostic phase of the cycle.
- Eight to ten industry-specific task force missions in which 10-15% of the participants in the above cycles will undertake issue-centered visits to U.S. firms.

In the full 4.5 years, we would expect to implement 20 to 25 cycles reaching 40 to 60 companies and 500 to 600 managers, of whom some 70 to 80 would participate in Task Force visits to the U.S. The exact numbers of cycles, companies and managers depend on such factors as company size, numbers of managers from each company and scheduling.

These principal activities will be complemented and supplemented by the development of training materials by project staff and members of local management faculties, and the marketing of the general project concept.

The main characteristics of these project activities, as well as the pre-start-up and start-up phases, are described in the paragraphs which follow.

Pre-Start-Up Activities

At the time AID and the U.S. prime contractor negotiate their contract, the U.S. firm is to do the same with its Egyptian sub-contractor (or individuals). As indicated in the Implementation Plan, these two sets of negotiations are to take place simultaneously. It is also at this time that the Plan of Operations for the first 30 months is to be ap-

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proved by AID and the Advisory Committee; the draft plan will have been part of the winning proposal. Taking these basic steps at the time of negotiation will make it possible for project start-up to begin expeditiously as soon as the U.S. team arrives in Cairo.

Start-Up

During the four month start-up period preceding the first cycle, the contractor will

- Establish, staff and equip a Cairo office and training site;
- Install its U.S. team in Egypt;
- Establish a professional development plan for Egyptian staff (e.g. short-term participant training in U.S., participation in professional conferences in Europe and the U.S.);
- Prepare a diagnostic plan and any needed survey instruments for the first cycles;
- Prepare a training syllabus for the first cycles;
- Assemble training materials in needed quantity for the first cycles from existing Egyptian and foreign sources;
- Translate to Arabic key core materials, or obtain substitutes in Arabic;
- Undertake and complete general study (documents, interviews, plant visits) of first target industry (or industries) to establish base line data, and familiarize professional staff with it (or them) in the Egyptian context;
- Begin developing project professional staff into cohesive team;
- To the extent possible, identify and use opportunities to develop training materials based on the Egyptian experience, by, for example, contracting with Egyptian professors of management in the various business faculties to prepare cases;
- Design and arrange for base line survey of management attitudes and practices to be undertaken by specialized sub-contractor during first six months;
- Prepare and implement short top management seminar for first target industry;

- Develop and begin implementation of a strategy and action plan to inform industrial leaders of benefits of management development as a means to improve organizational performance, and to keep the Egyptian management education community informed of project activities.

Diagnostic, Training, Application (DTA) Cycle

The DTA cycle is designed to give meaningful attention to:

- Individuals and organizations
- Organizational effectiveness
- Specific company problems
- Learning and application of skills
- Top as well as middle management
- Managing in the Egyptian environment

The participants in a cycle are both organizations and managers. Given project objectives at macro and micro levels, selection and grouping of both types of participants are crucial parts of project strategy.

- Cycles will be industry-specific as a general rule, although some exceptions should be anticipated for industries with few firms. Industry-specific cycles permit some tailoring of the training, make it technically feasible for project staff to include experience with similar firms (e.g. by assigning a short-term specialist), and increase opportunities for participants to learn from each other. Food processing and food-related sub-sectors, construction materials and textiles are to have priority, meaning that half or more of the cycles should be offered to them. Others to receive attention will include banking, chemicals, metals and metal-working, and tourism; principal criteria for choosing industries are potential for creating jobs, earning (or saving) foreign exchange, meeting basic needs of the population. Scheduling by industry will be proposed by the contractor for approval by the Advisory Committee (AdCom).
- As a general rule, a short (e.g. three-day) seminar for top management in a given industry will be organized before companies are selected for the DTA cycles for that industry. These seminars will focus on management topics of particular concern to

senior managers (e.g. delegation, communications, planning and control, information systems). They will use lecturettes, cases and a management simulation and will be residential.

- Each cycle is expected to involve four to six companies and three to eight key managers per company, with a total of 25 managers in each cycle; most companies will be expected to participate in more than one cycle. (The number of companies per cycle, managers from each company in a cycle, and cycles per company will not be constant. It depends on such factors as company size and number of managers, and these vary considerably in the target populations.) Project strategy requires development in each organization of enough managers who have been through the DTA cycle that there is a critical mass of such managers in the company, a mutually reinforcing group that can have a continuing impact on effectiveness. By sending a few to each of two or more cycles, both large firms and smaller ones can acquire this critical mass quickly without having an excessively high percentage of their managers in training simultaneously.
- Companies will be selected by the MDP team from a pool to be identified by the AdCom. Principal selection criteria will be (a) potential for results from participation (the project must avoid high risk cases, especially in the beginning, to maximize its own likelihood of success), (b) position of leadership, or as innovators in the industry, (c) economic importance. The balance between private and public firms should be approximately that found in the industry (in terms of contribution to industry output).
- Managers will be nominated for training by top management in participating firms during the latter part of the diagnostic phase. The MDP staff assigned to the firm will make general recommendations based on the character of the problem or problems chosen with top management for project attention. They will also ensure that top management understands the selection criteria and the importance of applying them to choose key managers. Selected managers should be (a) capable of exercising influence in their companies, (b) technically respected by their superiors and their peers, (c) capable of taking initiative, and (d) possess executive potential. Participants will be middle and upper middle level managers.

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- Companies (or their sponsors - e.g. GOFI) will be asked to pay part of the cost of their participation in the program. Policy and rates remain to be established in consultation with the GOE and JBC. We recommend a charge per participating manager plus a charge per company or a surcharge for the first manager. After general discussion of the subject with JBC, we also recommend that the rates be held constant at least until the interim evaluation, by which time results and inflation should have justified an increase to a level approaching local staff and overhead costs of the DTA cycle portion of the MDP. (This is discussed further in the Financial and Economic Analyses).

DTA Cycle - Diagnostic

The diagnostic phase of the DTA cycle is to involve all levels of management. In each company, information will be gathered via interviews, review of documents, and (where appropriate) surveys. This will permit a general organization analysis. Important organizational problems will be identified and discussed with top management, which will select one (or two) to be resolved through the DTA cycle. Key managers will then be picked to participate in the cycle. They and the MDP team assigned to the firm will identify (and quantify, whenever possible) the results expected from problem resolution and so inform top management. This phase is expected to take two MDP specialists about one week in each firm; thus, it will require approximately 10 to 14 man-days per company, including report preparation. The staff doing the diagnostic will be both American and Egyptian and will be involved in the training and application phases as well.

DTA Cycle - Training

The classroom training phase of the cycle is a total of approximately six weeks. It could be organized in a single stretch, but for both practical and pedagogical reasons

we recommend that it be in two segments; two periods of two to four weeks are enough for effective learning but not so much that key managers cannot be released to participate. The training focuses first on organizational processes to develop skills in the integrative management process including the ability to analyze, interrelate and make decisions. It then focuses on management skills in such areas as,

- Planning and control
- Finance and accounting
- Marketing
- Production
- Information systems
- Organization theory.

Staff investment would be on the order of 120 man-days using both Egyptian and American staff.¹ Teaching would be largely with participative methods, principally case study analysis and exercises, but also including business simulations. (The development of Egyptian cases and simulations is discussed below). Classes will be conducted in the language of the trainer, with simultaneous interpretation into Arabic when this is needed.

DTA Cycle - Application

The application phase is the time after the training when the managers from a given company return to work and collaborate to apply what they have learned to solve the problem(s) selected during the diagnostic phase. They will spend only a part of their time on the problem, the balance on their normal duties. A pair of MDP trainer/consultants will be available to help them solve the selected problems. This help may be in joint planning sessions, reviews of progress and methodology, technical assistance, seminars for

1. Level of effort estimate includes pre-cycle industry background study and top management seminars.

involved colleagues; it could also take other forms the participating managers and the MDP team consider appropriate. Periodic and final reports will be made to top management and results will be compared with the objectives set during the diagnostic phase. Approximately six months after the end of the cycle the same MDP team will make a follow-up visit to the organization to assess the longer term impact of the intervention. (One MDP team will normally be involved in all phases of the cycle for a given company, from the diagnostic to this post-cycle follow-up.) The application portion of the DTA cycle is expected to involve up to three team-days (six man days) per company per month over some 5 to 6 months, and two man-days for the follow-up six months later. In keeping with our recommendations that training be organized in two segments, we also recommend this for the application phase, with about 12 weeks to follow each training segment. (An example of this is diagrammed in Annex B-II). Twelve weeks is long enough to allow the special problem-solving and related training reinforcement to take place along with the regular job (not full-time, temporarily in place of it) and thus under more realistic conditions.

Task Force U.S. Visits

The task force missions will involve 10 to 15% of the participants in the DTA cycles, or approximately 70 to 80 managers. They have two purposes,

- To give Egyptian managers already familiar with modern management concepts an opportunity to learn from observation and discussion with U.S. managers how organizations in the U.S. cope with a particular problem, situation or need which Egyptian industry is facing, and to communicate this to their colleagues in Egypt;
- To offer those managers who perform particularly well in the DTA cycles an opportunity to build on what they learned, and to offer all managers in the cycles extra motivation to perform well.

The task forces will be industry specific in most cases but it may be desirable to organize some that are function

specific. The contractor will have to decide on such exceptions during project implementation.

Each task force will focus on an issue (or issues) of concern to its industry. These issues will be selected by the task force in consultation with the MDP staff and the AdCom, representing the concerned industry through the Ministry of Economy, the Ministry of Industry and the Joint Business Council. Examples of issues might be: long-term planning under the highly uncertain conditions faced by the construction materials industry; quality control techniques in the food processing industry; or, personnel management and motivation in public sector industrial organizations. Each task force will be expected to report its findings in writing and orally to industry representatives on its return. Their reports will be shared with business schools and any other interested parties.

The missions will be organized by the MDP and, in the U.S., the contractor's headquarters. The U.S. members of the Egypt-U.S. Joint Business Council will be asked to assist. MDP staff will work with the task force members in the design of their investigation in the U.S. and an Egyptian or American staff member will accompany each task force (as will a U.S.-based interpreter if the need exists).

Task force members will be nominated by MDP staff on the basis of their overall performance in the training and application cycles. The precise mechanism for selection of task force members will be determined by the AdCom and the MDP leadership; it must be such that it motivates performance in the DTA cycles, reflects well in the U.S. on Egyptian managers and produces useful results for Egyptian industry. (n.b. management competence is more important than English language capability; some English language training should be provided for those who can benefit from it, but an interpreter should accompany any task force with a significant number of non-English speakers.)

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Project Promotion

A vital input to the project will be the development and implementation of a strategy and action plan to inform industrial leaders in Egypt of the benefits available from the combination of management training and consultancy the project offers. The MDP must in effect market the DTA concept, not only to attract clients for itself, but to develop a market others will serve later. The print media, television, mini-seminars and guest lectures are all means through which this can be done. This marketing effort will be an integral part of the project. On the average, each year it should result in 10 to 12 management, MDP or related articles published, or features on radio or TV. The marketing effort will be supplemented by the systematic sharing with the academic community of materials developed, and ensuring that they are kept informed of MDP activities (directly as well as through any of their members who are on the MDP staff).

Egyptian Teaching Materials

The project will initially have to rely on existing Egyptian and foreign teaching cases and other materials. However, the MDP staff should be alert for and seize opportunities to develop cases based on Egyptian situations; time should be programmed to permit this. Problem oriented cases rather than case histories are needed, and given the relative "smallness" of the industrial community in Egypt, it should perhaps be accepted that composite cases may have to be developed to adequately disguise those involved. This is far from ideal, but it can be done effectively. If it appears to offer promise, a case writing specialist can be brought to Cairo to run a case-writing workshop for project staff (and perhaps some from the universities); this should

be considered early in the project to develop localized materials as soon as possible. By the end of the project, there should be at least 10 to 20 Egyptian cases that have survived the test of application to two or more groups of executives.

Cases developed by MDP staff for their own use in the teaching phase of the DTA cycle will be shared with Egyptian business faculties and similar institutions. These will increase the small existing stock of good Egyptian teaching cases. Nonetheless, the supply of such cases and the number of Egyptian management professors with the experience of researching local business practice and policy remain small, putting a limit on local capability to continue and to expand the work of the MDP after the end of AID support. To help eliminate this constraint, approximately half of the case development and related research funded by the project will be sub-contracted to members of the faculties of Egyptian management institutions.

The project will assume its participants can read English and that materials in that language can be used. Nevertheless, core materials should be available in Arabic, and the project will have to be prepared to meet a need for more than core teaching materials in Arabic should such a need arise. For this reason, during the start-up period staff will begin development of a bibliography of management articles, books and teaching cases in Arabic, and a collection of them and their English versions (when these exist). This collection should be completed during the first eight months of the project, in time to be useful the first year. Translation of basic readings and cases should be done early in the project; it can be supplemented other times when the interpreters are not needed for classroom work.

A highly useful tool for developing decision-making skills and an appreciation and understanding of the interdependencies of organizational units and functions, as well as of organizations and their environment, is the "business game" or simulation. At least one American specialist has developed simulations for enterprises in socialist economies (they are being used to teach management in Hungary and Poland) and there is some experience in developing management games in Egypt. We include in the project the development of an Egyptian business simulation involving both private and public sector companies. In addition to being used in the MDP, this will be made available to the business faculties of Egyptian universities, American University in Cairo and Egypt's National Institute for Management Development. This will be a costly item, but given its potential for use by other institutions and the utility it will have for the project, we believe the investment should be made.

PART 3: PROJECT ANALYSES

A. TECHNICAL ANALYSIS, INCLUDING ENVIRONMENT ASSESSMENT

Economic liberalization, the Open Door Policy and serious efforts to improve the performance of public sector companies and encourage development of the private sector all coincide to make the timing of this project highly appropriate in Egypt. This conclusion is reinforced by the evolution of Egyptian-U.S. economic relations, including the role therein of the Egypt-U.S. Joint Business Council. AID consultants have found a locally perceived need for improved economic performance, recognition that management plays a key role in determining performance and a keen interest in the goal, purpose and content of the MDP project.

Choice of Technology

The "technology" embodied in the project design was chosen on the basis of two recent AID studies and of inputs garnered in the process of making them. The studies were an evaluation of experience with the Middle Management Education Program (MMEP) pilot activity, and a management needs assessment in Egyptian industry.¹ In the course of these

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1. The MMEP involved taking approximately 100 Egyptian middle managers to the United States for 12 weeks, six in classroom training and six in internships in U.S. firms. The evaluation was done in early 1980 and was accompanied by a series of briefings for the Cairo AID mission; a draft report was submitted by the contractor (Cooper & Lybrand) in June. The needs assessment findings have been summarized in Annex B by the consultants. The final reports will be submitted in August. The consultants who undertook these studies also participated in preparation of the project paper.

studies and of project paper development, AID management consultants and Egyptian managers and management educators have had an extensive exchange of views, ideas and experience. It is out of this exchange that the design has evolved.

Technical Description

This is a service project involving very little "hard" technology. By far the main service will be training and technical assistance to be provided to 40 to 60 firms in Egypt by a team of six long-term U.S. management specialists and the equivalent of five Egyptian management specialists (at least two of the Egyptians are to be full-time). Program design calls for this to be done through cycles involving

- In-company studies by the MDP specialists
- Approximately six weeks of training for 20 to 25 groups, each of twenty-five managers from (on the average) five companies (with the training for each group preferably in two segments), and
- Up to 32 man-days of post-training technical assistance per participating company (this, too, preferably in two segments, one after each of two training segments).

Most of the work will be done by two-man Egyptian-American teams to help augment Egyptian technical skills and American capability to function effectively in the Egyptian context.

The professional staff will be expected to develop Egyptian training materials for MDP training, and will also employ Egyptian business school faculty to develop local materials. All such materials will be shared with

local management education institutions. The development of a management game set in the Egyptian environment is also envisaged for project training activities (it, too, will be shared with local educational institutions); this will require special staffing or sub-contracting. Cases, readings and other materials will be purchased in Egypt and abroad to supplement those produced by the project.

Training will be done in the language of the trainers, which will be English in many cases. Experience has shown that, even with language refresher courses, a significant proportion of Egyptian managers will have difficulty in a highly participative training program in English. For this reason, simultaneous interpretation is included. Reading is less of a problem than dealing with the spoken language, and only modest funding is planned for translation of training materials, but it is recognized that a need for more may arise.

The project will be expected to keep management circles in industry and management educators in Egypt informed of its activities and to generally stimulate interest in the type of service it offers. This marketing endeavor to encourage successors to the project will use conventional media, professional conferences and similar approaches; it will take the form more of professional articles and appearances than of paid advertising and is not expected to involve significant costs to the project other than staff time.

In addition to its activity in Egypt, the project will take 70 to 80 Egyptian managers to the United States for visits of up to one month each. Accompanied by a project staff member from Cairo and a U.S. hire interpreter (in most cases), each group of about ten managers will visit several firms in a single industry in the U.S. to learn from brief (2 to 3 days per company) stays how the firm deals with

certain problems of concern in Egypt. These visits will be designed to be learning experiences, not simply observation tours. Their primary component will be structured inquiries in companies, but these may be complemented by conferences or seminars with technical specialists in the U.S. Back in Egypt, the task forces will present to their colleagues in the industry they have represented oral and written reports, including recommendations as to aspects or adaptations of U.S. experience they consider promising for Egypt.

Following is an estimate of the application of the time of the eleven professional staff members (share of work days available):

<u>Percent</u>	
5	Start-Up
75	DTA cycles
8	Research and Materials Development
5	Project Management
5	U.S. Task Forces
<u>2</u>	Marketing Project Concept
100	

Commodity inputs (and, thus, "hard" technology) represent less than 3 percent of total cost. Commodities will include vehicles, office furnishings, supplies and equipment, teaching materials and audio-visual equipment. To permit the development and use of one or more computer simulations for training purposes, and to demonstrate applications (and limitations), allowance has also been made for purchase of a mini-computer, provided a model of appropriate capacity and cost is identified, and provided AID and the contractor agree that no feasible alternative is available.

Technical Feasibility

Management development is not a panacea. What can be done by management to improve organizational performance is limited by technology and--within those limits--by environmental constraints. Egyptian managers have frequently told

AID consultants that laws, regulations, red tape, the educational level of the labor force, undependable communications and transportation systems, and other characteristics of the Egyptian business environment prevent them from being as productive and as efficient as available technology makes theoretically possible. However, AID management consultants have also found considerable differences among companies in terms of performance within these constraints. The consensus, including Egyptians, is that management is a key determinant of these differences in performance. Egyptian managers, Egyptian management educators and the AID consultants all agree that management can be improved and that its improvement can result in better organizational performance in economic and social terms.

There are two sources of assurance of the feasibility of the "technology" embodied in the project design. The first is the extent to which Egyptians have been involved in the project design process, and the fact that Egypt has numerous management educators, many--perhaps most--of whom have experience in executive development and in consulting. Discussions with several of them, and with businessmen, have convinced AID's consultants that the design is feasible and that qualified Egyptian staff will be available for the project through a sub-contract, as individuals, or both. Given the play of market forces in the liberalized Egyptian economy in support of which this project was developed, the consultants are also persuaded that it is reasonable to expect effective project services to stimulate demand for, and supply of similarly effective replacement services when the project terminates.

The second source of assurance is the consultants' experience, which is reinforced by AID's assessment of the lessons to be derived from training programs in Jamaica and

Mauritania served by USDA's Development Project Management Center (under a DS/RAD PASA); training tests in Nepal and Egypt under the Public Administration Service contract administered by DS/RAD; programs of USAID/Ghana, the Pan African Institute for Development, and programs run by a network of institutions which are members of the International Committee on Management of Population Programs (Instituto Centroamericano de Administracion de Empresas, Managua; Instituto de Estudios Superiores de Administracion, Caracas; Asian Institute of Management, Manila; and Indian Institute of Management, Ahmedabad). The design of the present project reflects the lessons from this experience identified by DS/RAD,¹

- Expatriate change agents can be much more effective when teamed on a fully collaborative basis with indigenous leaders and professionals who know and can make crucial adaptations to the indigenous culture and sociopolitical environments.
- Changes in group and organization behavior, and eventually in communities' capacity to mobilize for development should be the central concern of management training...
- Organization-based training that reaches large numbers of key people at all levels from top to bottom holds the greatest promise of quick impact on organizational outputs.
- Training should be designed to address the real needs of the organization, systematically defined. The real needs of the organization are known best by the people within it.
- Training is much more meaningful to organization managers and to trainees at all levels if it relates to constructive improvement of the real work of the organization. People learn best by doing.
- The psychology of improved performance requires that that people succeed in performing significant tasks

1. AID/DS/RAD Revised Project Paper, Project 931-096, Project Management, 8/10/79, pp. 19-20.

and build on that success. Also, that they learn to support and respect each other's contribution.

- Evaluation of the training, of on-the-job results, and of changes in organizational effectiveness are crucial to continuing improvement in management training.

Cost and Plan

Detailed cost information is presented in the next section of the Project Paper. The budget is based on one possible plan of operations and in our view represents a realistic estimate of project costs.¹ Thus, while bidders will propose their own detailed plans of operations which are likely to differ from that used for costing, they are expected to fit the overall budget and the more general plan firmly established by the Project Paper and the logical framework.

Environment Concerns

This project involves training and management consulting. There is no reason to expect any measurable environmental impact to result from its implementation. See Annex C for Environmental Assessment Checklist.

B. FINANCIAL ANALYSIS AND PLAN

Sources and Application of Funds

The total cost of the project is estimated at \$11.5 million. AID will provide a grant of \$8.5 million and GOE

1. The single significant exception to this is in the case of the figures used for the proposed mini-computer and development of the Egypt-specific business game. These are rough estimates.

will contribute a total of \$3.0 million, or 26% of total anticipated costs.

The GOE contribution will be both financial and in kind. Approximately \$1.9 million will be financed through fees charged to participating companies. Assuming 50 companies participate in the project, the average cost per company will be \$38,000 after provision for inflation.¹ The remaining \$1.1 million to be financed by the GOE consists of two parts,

- \$749,000 (68%) for in-country lodging, per diem and travel costs of participating managers, and
- salaries and related costs of managers while participating in project activities, and of top management and government and JBC officials while involved with the project. These items are listed as "indirect costs" on the accompanying tables.

AID financial support scheduling is envisaged as follows:

	<u>Million \$</u>
FY 1981	1.236
FY 1982	1.567
FY 1983	2.224
FY 1984	1.816
FY 1985	<u>1.657</u>
	8.500

AID funds will be utilized for all estimated foreign exchange requirements. These comprise approximately 50% of total project costs and will be primarily associated with the procurement of technical contract services of the U.S. professional staff. The other major component of foreign exchange requirements will be U.S. task force visits budgeted

1. The equivalent figures in constant (1980) costs are \$22,320 or LE 15,624. These are, in turn, equivalent to \$1,860 or LE 1,302 per individual participating manager.

under the special training component depicted in tables below.

An estimated \$2.8 million or 33% of AID total funding will be utilized for local currency expenditures. This will support such items as contractor offices, facilities and equipment costs, remuneration of Egyptian professional staff, baseline studies, policy research and case development by management faculties, and the Egyptian special training component (i.e. development of management simulation, training material expenditures and travel and per diem for professional staff in Egypt).

Financial Viability of the Project

The financial viability of the project depends on the willingness and ability of companies to pay at least a part of the cost of the services received. Management is not a free good, and improvements to human capital implicitly have associated costs as well as payoffs.

Officials of the Joint Business Council and the GOE, businessmen, and Egyptian management educators have all expressed the conviction that companies can, should and will pay for the proposed services. It is also their view that fees should be charged from the beginning of the program, and it has been suggested that while the rate may be changed during the life of the project, changes should not be often. We accept this advice.

Public and private companies are currently enrolling their managers in executive development seminars offered in Cairo by local and foreign organizations. The average daily fees they are paying are higher than those used in budget computations for this project.

Given available information on the demand for such training and the readiness to pay for it, we are convinced that there will be sufficient demand for project services

AID OBLIGATIONS
by Fiscal Year
(\$000)

Project No. 263-0090

Project Title: Management Development for Productivity

<u>AID Inputs</u>	<u>FY 1980</u>		
	<u>FX</u>	<u>LC</u>	<u>Total</u>
• Technical Assistance	3,612	816	4,428
• Special Training Components	420	265	685
• Office, Facilities & Equipment	40	495	535
• Evaluation & Surveys	<u>83</u>	<u>129</u>	<u>212</u>
<u>Sub-Total</u>	4,155	1,705	5,860
• Contingency	314	128	442
• Inflation	<u>1,207</u>	<u>991</u>	<u>2,198</u>
TOTAL AID OBLIGATIONS	<u>5,676</u>	<u>2,824</u>	<u>8,500</u>

Table No. 2

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(\$000)

Project No. 063-0090

Title: Management Development for Productivity

SOURCE	AID			GOE*	OTHER GOE	COMBINED		
	FX	LC	TOTAL			FX	LC	TOTAL
<u>USE</u>								
<u>Direct Project</u>								
• Technical Assistance	3,612	816	4,428	2,228	---	3,612	1,932	5,544
• Special Training Components	420	265	685	---	443	420	708	1,128
• Office, Facilities, & Equipment	40	495	535	---	---	40	495	535
• Evaluation & Surveys	83	129	212	---	---	83	129	212
<u>Total Direct</u>	<u>4,155</u>	<u>1,705</u>	<u>5,860</u>	<u>1,118</u>	<u>443</u>	<u>4,155</u>	<u>3,264</u>	<u>7,365</u>
<u>Indirect</u>	---	---	---	---	238	---	238	238
<u>Contingency</u>	314	128	442	84	50	314	262	576
<u>Inflation</u>	<u>1,207</u>	<u>991</u>	<u>2,198</u>	<u>655</u>	<u>422</u>	<u>1,207</u>	<u>2,068</u>	<u>3,275</u>
<u>Project Total</u>	<u>5,676</u> xxxxx	<u>2,624</u> xxxxx	<u>8,500</u> xxxxx	<u>1,855</u> xxxxx	<u>1,153</u> xxxxx	<u>5,676</u> xxxxx	<u>5,832</u> xxxxx	<u>11,508</u> xxxxx

* Fees charged to participant companies

Table No. 3

PROJECTION OF EXPENDITURES BY FISCAL YEAR AND BY INPUT SOURCE

(\$000)

Project No. 263-0090

Title: Management Development for Productivity

	FY 81			FY 82			FY 83			FY 84			FY 85			TOTAL		
	FX	LC	TOTAL	FX	LC	TOTAL	FX	LC	TOTAL	FX	LC	TOTAL	FX	LC	TOTAL	FX	LC	TOTAL
AID Inputs																		
• Technical Assistance	556	135	691	716	165	881	1,012	200	1,212	729	179	908	599	137	736	3,612	816	4,428
• Special Trng. Components	56	26	82	145	68	213	81	65	146	81	65	146	57	41	98	420	265	685
• Office, Facilities, Equipment	36	180	216	1	86	87	1	83	84	1	86	87	1	60	61	40	495	535
• Evaluation & Surveys	-	23	23	-	-	-	37	50	87	-	-	-	46	56	102	83	129	212
Subtotal	648	364	1,012	862	319	1,181	1,131	398	1,529	811	330	1,141	703	294	997	4,155	1,705	5,860
• Contingency	49	27	76	65	24	89	85	30	115	61	25	86	54	22	76	314	128	442
• Inflation	70	78	148	167	130	297	328	252	580	323	266	589	319	265	584	1,207	991	2,198
TOTAL AID	767	469	1,236	1,094	473	1,567	1,544	680	2,224	1,195	621	1,816	1,076	581	1,657	5,676	2,824	8,500
GOE Inputs																		
• Technical Assistance*	-	173	173	-	249	249	-	331	331	-	240	240	-	123	123	-	1,116	1,116
• Indirect Cost (Salaries, Office etc)	-	23	23	-	60	60	-	60	60	-	60	60	-	35	35	-	238	238
• Special Trng. Component†	-	42	42	-	115	115	-	109	109	-	108	108	-	69	69	-	443	443
Subtotal	-	238	238	-	424	424	-	500	500	-	408	408	-	227	227	-	1,797	1,797
• Contingency	-	18	18	-	32	32	-	37	37	-	30	30	-	17	17	-	134	134
• Inflation	-	51	51	-	174	174	-	318	318	-	329	329	-	205	205	-	1,077	1,077
TOTAL GOE	-	307	307	-	630	630	-	855	855	-	767	767	-	449	449	-	3,008	3,008
TOTAL PROJECT COST	767	776	1,543	1,094	1,103	2,197	1,544	1,535	3,079	1,195	1,388	2,583	1,076	1,030	2,106	5,676	5,812	11,508

* Fees charged to participating companies.

† Participant lodging, per diem and travel.

Table No. 4

COSTING OF PROJECT INPUTS/OUTPUTS
(\$000)

Project No. 263-0090

Project Title: Management Development for Productivity

OUTPUTS**	1. Key Managers Trained			2. Identify Appropriate Management			3. Ind'l & Educ'l Comm's Informed			4. Training Materials			Combined		
	FX	LC	TOTAL	FX	LC	TOT	FX	LC	TOT	FX	LC	TOT	FX	LC	TOTAL
AID - Inputs															
• Technical Assistance	3,317	696	4,013	81	38	119	98	20	118	116	62	178	3,612	816	4,428
• Special Training Components	-	87	87	300	147	447	-	-	-	120	31	151	420	265	685
• Office, Facilities & Equipment	29	414	443	-	25	25	-	13	13	11	43	54	40	495	535
• Evaluation & Surveys	68	108	176	6	6	12	3	3	6	6	12	18	83	129	212
Subtotal	3,414	1,305	4,719	387	216	603	101	36	137	253	148	401	4,155	1,705	5,860
• Contingency	257	98	355	30	16	46	8	3	11	19	11	30	314	128	442
• Inflation	992	758	1,750	112	126	238	29	21	50	74	86	160	1,207	991	2,198
TOTAL AID	4,663	2,161	6,824	529	358	887	138	60	198	346	245	591	5,676	2,824	8,500
GOE Inputs															
• Technical Assistance*	-	953	953	-	51	51	-	27	27	-	85	85	-	1,116	1,116
• Indirect Costs (Salaries, Office, etc)	-	238	238	-	-	-	-	-	-	-	-	-	-	238	238
• Special Training Component	-	443	443	-	-	-	-	-	-	-	-	-	-	443	443
Subtotal	-	1,634	1,634	-	51	51	-	27	27	-	85	85	-	1,797	1,797
• Contingency	-	122	122	-	4	4	1	2	2	-	6	6	-	134	134
• Inflation	-	979	979	-	31	31	-	16	16	-	51	51	-	1,077	1,077
TOTAL GOE	-	2,735	2,735	-	86	86	-	45	45	-	142	142	-	3,008	3,008
TOTAL PROJECT	4,663	4,896	9,559	529	444	973	138	105	243	346	387	733	5,676	5,832	11,508

* Fees charged to participating companies.

** Output definitions from the Log Frame are presented below. Output #5 is not broken out separately because it is almost entirely the result of Egyptian involvement in the production of the other outputs. The only explicit cost envisaged is up to \$10,000 for eventual conference and workshop fees and related travel and per diem. The outputs, as defined in the Log Frame, are:

1. Key managers in selected public and private organizations trained and assisted in applying appropriate management skills, knowledge and attitudes on the job; resolution of selected organizational problems in their companies.
2. Identification of management technology appropriate for adaptation and application to specific Egyptian organizational problems.
3. Industrial and management education communities in Egypt informed of project activities, methods and results.
4. Management training materials, including business simulation, relevant to the Egyptian context.
5. Egyptian management trainers/consultants with increased skills and experience.

and a willingness to pay fees that will ensure the level of income assumed in project budgeting.

Overall, we consider the financial plan to be comprehensive, solid and well thought through, and are persuaded of the financial soundness and viability of the project.

C. SOCIAL ANALYSIS

Sociocultural Feasibility

This project is based on a management needs assessment and extensive inputs from Egyptian managers and management educators. (A preliminary summary of the results of this study is presented in Annex B.) It is quite evident from the needs assessment that management practices and behavior common in Egyptian organizations are culturally compatible in Egypt but often at variance with management ideals prescribed in U.S. business schools. It is also clear that this latter variance does not automatically signal a practice or behavior that is necessarily dysfunctional in Egypt; it may be or may not be, and it varies both with the practice or behavior and from one organization to another.

This project focuses on improving performance, not on changing behavior or practices. Improving performance will in many cases involve changes in behavior and practices, but the changes will be developed by Egyptians to fit the Egyptian environment. The project will introduce tools and approaches that can be applied to develop solutions and management practices appropriate to Egyptian conditions. Very little of what is introduced will be in the form of solutions "made in USA", and these will be for trial and adaptation, not for simple transfer. This will not occur automatically. The contractor will have to be alert to the need to focus on the adaptation and development rather than the simple

transfer of management practices and solutions to organizational problems. It is that focus and the fact that the Egyptians do the adapting and developing that will guarantee the sociocultural feasibility of the project.

Spread Effects

The project is designed to reach organizations in both the public and private sectors, in the major branches of industry (and some related service activities, such as banking) and in the principal parts of the country in which industrial activities are found. As with any project whose activities are likely to be relevant to a large population, this one cannot reach everyone directly. However, it is designed to bring about the diffusion of its effects throughout the populations it serves. Vital to this in any project is the involvement of key, respected leaders. In this case, public and private sector leaders will constitute the Advisory Committee of the project and will help to ensure the participation in the project of firms and managers likely to be accepted as innovators in their companies and industries. Beyond these choices, the project design includes other characteristics to maximize the spread effect,

- Each company involved is to send to the project enough managers to constitute a "critical mass" of key people in the organization who have developed new knowledge, attitudes and skills. Being quantitatively a "critical mass", they will influence the structure, function and process of the organization by disseminating knowledge and serving as role models for other managers. Thus, in individual organizations the project effect will be spread beyond the people directly involved in it.
- The task force visits to the U.S. will be industry-specific and will focus on issues of general interest to many firms. The results will be disseminated to all interested companies, regardless of whether they have sent managers to the project for training. In this way, project benefits from task

force activities will be spread throughout concerned industries.

- There is built into the project a communications and promotion activity to ensure that information about project activities and management development in general is shared as widely as possible in Egypt. This is to stimulate interest in project-type activities and, eventually, demand for them. Having key ministries and the Egypt-U.S. Joint Business Council form the Advisory Committee of the project is another means to this end. At the same time, the involvement of Egyptian as well as American specialists in project work will augment the ability of the local market to meet increased demand and to carry the benefits of such activity to firms and industries far beyond the capacity of the project alone in its brief life.
- Finally, project impact will be spread beyond immediate, direct beneficiaries through inputs to the management training and education establishment in Egypt. These inputs will be in the form of shared training materials, both imported and developed in Egypt, and of increased (and diversified) experience for professors involved part-time in project activities.

Social Consequences and Benefit Incidence

There are several major groups that will benefit from this project. The first is the 40 to 60 public and private companies that increase their effectiveness and productivity, and their contribution to Egyptian well-being. Priority will be given to food processing and food-related sub-sectors, construction materials and textiles, but others will be included. Principal criteria for company selection are potential for creating jobs, earning (or saving) foreign exchange, and meeting the basic needs of the population. As noted above, the project is designed to encourage and permit similar services for companies beyond the direct reach of the project because of its limited capacity.

In each participating company, several key managers from middle and upper ranks will also benefit. Given the

continuation of the present pressure for improving productivity and economic results from industrial organizations, managers who learn from the program how to bring about such results should find increased job satisfaction and improved job opportunities (in other firms, if not in their own).

A third beneficiary group will be the Egyptian trainer/consultants who are affiliated with the program. Benefits will accrue in terms of increased knowledge and experience in organizational diagnostic and consulting work and the ability to identify areas for management research specific to Egypt.

The fourth major beneficiary group will be the local management institutions (business schools, consulting groups, etc.) who will gain from the project's demonstration of the effect management development can have on organizational productivity. In addition, the development of Egypt specific learning materials and the access to research findings will enhance the quality of the management programs offered.

Finally, the largest beneficiary group is the general population of Egypt. The project goal is to contribute to increased productivity in Egyptian industry. Increased productivity is necessary for continuing economic and political stability and improved quality of life in Egypt, benefits that accrue to the entire population.

D. ECONOMIC ANALYSIS

In the case of this project, as with most human resource development projects, it is difficult to determine economic impacts, whether direct, indirect, tangible or intangible. A major difficulty arises in quantifying benefits to be weighed against project costs in order to compare project returns with alternative investment opportunities. While

adequate analytical techniques are available to assess the economic and financial feasibility of capital investment projects, comparable methods do not exist for appraising human resources development programs.

Given these limitations and lack of appropriate information, surrogate approaches are used in lieu of other harder analytical techniques to assess the economic feasibility of this project. Thus, economic feasibility of MDP will be determined on the basis of the following: a least-cost alternative framework; a break-even analytical approach; and qualitative considerations.

Least-Cost Alternative

One approach to assess the economic feasibility of this project is to compare the cost of the proposed intervention with that of other programs having similar methods and goals. This approach has been extensively used in support of other AID human resource development (HRD) programs. The dominant cost comparisons are made between a unit-cost of training an individual in his or her own country versus training in the U.S. Even when highly-paid consultants are part of the training team, unit costs have been found to be lower for local training.

In the MMEP project, for example, the forerunner of this program, participant cost to AID amounted to \$10,400. In comparison, the AID cost (in 1980 dollars) per manager participating in this program is estimated at \$9,766.¹ The program proposed here does not include the six-week internship

1. This comparison is of AID costs only. The MDP project has Egyptian financial participation, which was not the case with MMEP. With Egyptian-funded costs included, MDP cost per participating manager is \$12,530.

in a U.S. firm that was part of the MMEP program, or the English language instruction that it offered. On the other hand, the MMEP did not include--and the new program does-- development and distribution in Egypt of Egyptian training materials, company diagnostic studies, on-the-job assistance to trained managers in applying new skills to solve company problems, issue-focused task force visits to U.S. industry, or the development of Egyptian capability to provide such services in the future.

This comparison clearly favors the MDP project, given the variety and depth of benefits it offers.

Break-Even Analysis

) With this approach, we compute the return that can be expected from an alternative investment, such as a capital project. We then calculate the economic return MDP would have to produce to match that of the alternative. And, finally, using whatever information we have, we decide whether we consider it reasonable to assume the MDP will produce such a return. In different terms, the "cost" of the MDP project is the opportunity cost of income foregone should an alternative investment be made in, for example, a capital project.

Given that the incremental capital-output ratio in Egypt is about 3.0, the estimated increase in value from an \$11.5 million investment (MDP estimated cost) is \$3.83 million. Assuming a 15-year project life, the investment foregone at a 15% discount rate would be approximately \$22.4 million ceteris paribus. In the context of the MDP program, this figure reflects the present value that must be offset by productivity increases in all companies participating in the program. Thus, on the above assumptions, to match the returns to be derived from an investment in physical capital, the annual value from productivity increase that must accrue to Egypt from each participating company is approximately \$133,618 (at 5 years) or \$89,247 (at 10 years).

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Although information on industrial output by company is not complete, available data does provide an insight into the reasonableness of expecting such an outcome from the MDP. To take one example, in 1976 total industrial output of the 30 companies comprising the public sector textile industry was LE 563 million, or an average of LE 18.7 million per company.¹ In this sector, the productivity increase per company that would be required to match the return to the hypothetical capital investment project is roughly one-half of one percent of the average per company annual output.² While actual values will vary from company to company, and from sector to sector, observation of firms in several sectors suggests that productivity increases of this order of magnitude, and greater, are well within reach during the life of the project. On this comparison we find the MDP economically justifiable; qualitative considerations discussed below make it all the more so.

Qualitative Considerations

There are a number of project impacts which go beyond immediate changes in productivity of participating companies and which can be expected to result in higher productivity in far more firms than those participating in project activities. Principal among them are:

- Enough managers will have participated from involved firms that they will constitute a mutually reinforcing group able to continue improving com-

1. Data are from: Arthur D. Little Inc. An Assessment of of Egypt's Industrial Sector, Report to the Special Interagency Task Force reviewing the U.S. Security Supporting Assistance Program for Egypt, January, 1978.

2. $\$133,618 \div 1.40 = 95,441$
 $LE\ 95,441 \div LE\ 18,756,667 = .508\%$

pany performance well into the future;

- Egyptian capability to deliver the services provided by the project will have been developed and industry will continue to benefit from it after project termination;
- The involvement of Egyptian management educators in the project, with its in-company applications aspects, and the sharing with the university community of Egypt-specific training materials developed by the project, will result in management education more tailored to teaching managers how to manage well in the Egyptian environment than is the case today; and
- Industry-wide infusions of management "technology" will have resulted from the task force visits to the U.S., as will at least some lasting links between Egyptian and U.S. industry.

PART 4: IMPLEMENTATION PLANNING

A. ADMINISTRATIVE ARRANGEMENTS

USAID will have overall responsibility for contract administration, the selected contractor will be responsible for project implementation, and several Egyptian organizations will collaborate to guide and facilitate project activities.

Overall policy guidance and assistance will be provided by a Project Advisory Committee (AdCom) composed of senior representatives of

- Egypt-U.S. Joint Business Council
- Ministry of Economy
- Ministry of Industry

These organizations bring unique and complementary perspectives to the project. The Joint Business Council is concerned with creation of a suitable environment for joint

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ventures with U.S. firms. The Minister of Economy is responsible for the development of effective investment opportunities through the Investment Authority. The Minister of Industry is charged with increasing industrial productivity, particularly--but not only--in the public sector.

The AdCom will not have administrative responsibilities for the project, nor will it be regularly involved in day-to-day activities. However, through its membership it will be able to provide access to senior officials and managers and to otherwise assist the project team. Its purpose is to ensure that the needs of both the private and public sectors are appropriately reflected in project activities, and to provide important high level direction and support.

The Ministry of Economy is the GOE entity on which the project will officially depend and it is with this ministry that the Project Agreement will be signed. This is important to help ensure project focus on its primary objectives, which are economic. The Ministry of Economy works closely with AID on other projects and has strong interest in both the private and public sectors. Project demands on the administrative capacity of the Ministry will be few, limited principally to those situations in which official formalities (customs, police, etc.) require the contractor and his staff to document the official status of the project and those engaged by it.

The U.S. contractor will carry the principal burden in terms of administrative arrangements and logistics, as is noted in the implementation plan. The capacity of the contractor (and/or a proposed sub-contractor) to provide an administrative capability in Egypt adequate to project needs will be one of the points to be considered in ranking proposals.

AID responsibility will be centered on the Mission in Cairo. The project will require of AID,

- Identification of interested U.S. and Egyptian organizations, establishment of a short-list, signing of a Project Agreement with the GOE, organization of a bidders' conference in Cairo, ranking of proposals and negotiation of a contract;
- Approvals of Plans of Operations (and modifications thereto) prepared by the contractor and reviewed by the AdCom;
- Routine monitoring of the project;
- Arrangements for the Progress Assessments and Evaluations described in the implementation and evaluation plans, including contract negotiation and management (using project funds under direct AID control);
- A review of the interim evaluation and decision as to whether and what policy change or design modification is desirable for the final two years of the project; and
- Such technical or other assistance as may be required under special circumstances and be within the ability of the Mission to provide.

New AID staff commitments should not be required for routine monitoring of this project. However, technical oversight envisaged in the form of semi-annual progress assessments will require inputs not currently available at the Mission. This requirement could be met through additional staff at the Mission (a management specialist), or via TDY missions of consultants or direct hire personnel (e.g. via DS/RAD). The project budget includes provision for this input.

AID disbursement will follow normal regulations for commodity procurement, contractual arrangements and letters of implementation, as specified in the GOARE/U.S. agreement.

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B. IMPLEMENTATION PLAN

IMPLEMENTATION SCHEDULE AND MILESTONES

<u>Mile-</u> <u>Stones</u>	<u>Respons-</u> <u>ibility</u>	<u>Date</u>
X Calls for Pre-Qualification State- ments and for Egyptian Expressions of Interest	AID	6/80*
X PP approved AID/W	AID	7/80
X Pro Ag Signed	AID & GOE	8/80
X Bidders Conference, Cairo	AID	8/80
X Contract negotiations concluded in Cairo; initial industry focus and <u>Plan of Operations through 6/83</u> <u>approved</u>	AID & AdCom	12/80
Start-Up (See Part 2, B. Detailed Description) & Begin simulation development	Cont.	1-4/81
X First top management seminar	Cont.	3/81
X Base-line Survey	Cont.	4/81
X First cycles begin (these continue and others follow as per Plan of Operations)	Cont.	4-6/81
Semi-Annual Report	Cont.	7/81
Progress Assessment No. 1	AID	7/81
X RAMADAN begins, 1st training phase of initial cycles completed prior to this	---	approx. 7/1/81
X Plan of Operations reviewed for pos- sible modification	Cont & AID & AdCom	7/81
Begin organization of 1st Task Force visits to U.S.	Cont. & AdCom.	11-12/81
X Simulation ready for use	Cont.	1/82
Contractor Annual Report	Cont.	1/82
Progress Assessment No. 2	AID	2/82
X 1st Task Force Visits to U.S.	Cont & AdCom	3-4/82

* Requested of AID/W in cable CAI 12357 of 3 June 1980.

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<u>Mile-</u> <u>Stones</u>	<u>Respons-</u> <u>ibility</u>	<u>Date</u>
Contractor Semi-Annual Report	Cont	7/82
Progress Assessment No. 3	AID	7/82
X 8 to 10 Cycles completed	Cont	12/82
X 3 to 4 Task Force visits to U.S. completed	Cont	12/82
Draft Plan of Operations last two years of Project	Cont	1/83
Contractor Annual Report	Cont	1/83
X Interim Evaluation	AID	2/83
X Institutionalization Plan	Cont	6/83
X <u>Approval Plan of Operations, 7/83-</u> <u>6/85</u>	AID & AdCom	4/83
Decision re. continuation of Prog- ress Assessments	AID	4/83
<u>Implementation of above decisions</u> <u>& Plan Op.</u>	Cont	7/83- 6/85
X Completion of last cycle training phases	Cont	3/85
Evaluation	AID	6/85

Implementation Plan Narrative

Roles, responsibilities and relations among the principal parties to the project are outlined in the preceding paragraphs. As is pointed out there, primary responsibility for project implementation lies with the contractor. He will operate through an independent project organizational unit which he will establish in Cairo (presumably, but not necessarily, in collaboration with an Egyptian sub-contractor). Through this project organization, and with the support of his head office, the contractor will provide the professional services called for and the necessary logistic support (e.g. secretarial and administrative services; procurement of project office and commodities; local and international travel of staff and of industry task forces going to the U.S.).

The prime contractor will be selected by competitive bidding from a short-list of up to eight pre-qualified U.S. organizations. These organizations are likely to include management consulting firms with training credentials as well as academic institutions with executive and organization development experience. Via published notices, AID will solicit from Egyptian professionals and/or organizations expressions of interest in staff or sub-contractor roles; AID will make the resulting information available to short-listed U.S. organizations with the RFP¹ prior to the holding of a bidders' conference in Cairo. Proposal selection will be the responsibility of AID/Cairo, taking into account inputs from reviewers to be selected by the Mission but to include the heads (or their representatives) of the Egyptian organizations to be represented on the Advisory Committee. A single direct AID contract is envisioned;² it will be with a U.S. organization which will provide (as per its proposal) an Egyptian professional staff component either by sub-contracting to an Egyptian organization (private or public) or by individual recruitment. In either case, it will be negotiated in parallel with negotiation of the prime contract with AID.

The project consists essentially of two interrelated sets of activities repeated numerous times over a period of four and a half years. These are the Diagnostic/Training/Application (DTA) cycle and the U.S. visits by industry task forces. The key components and characteristics of these activities are presented in the Detailed Description (Part 2, B) above; they will be developed in more detail in the contractor's proposal.

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1. The Mission has already asked AID/W to insert in the Commerce Business Daily a request for pre-qualification statements from interested U.S. organizations. The notice to solicit Egyptian expressions of interest will be published shortly after the CBD publication announcement has appeared.
 2. See Annex J for justification.

These activities can be scheduled only when we know the final configuration of the DTA cycle and the date of project initiation. Therefore, the implementation plan calls for AID/GOE/Contractor agreement on a plan of operations for the first 30 months at the time of contract negotiation. (A draft plan will be requested as part of the proposal). A plan of operations for the last two years of the project is to be prepared by the contractor early in 1983 for AID/GOE approval. The key elements in these plans will be the scheduling of DTA cycles, task force visits to the U.S., development and production of Egyptian training materials, and promotional activities.

The initial Plan of Operations will be reviewed for any needed revision about 6 months into the project, once groundwork has been laid and first cycles begun; the Plan of Operations should also be reviewed at the end of each year or when Progress Assessments indicate the need. Any adjustments necessary to ensure project success should be made after consultation with AID and the Advisory Committee and with their agreement.

The project will be divided into two phases. The first phase will consist of the initial three year period, during which the US contractor will develop a plan for the institutionalization of the process for modernizing business management in Egypt through consulting services and training. That plan then will be used by the US contractor, the GOE and AID to develop the second phase of the project emphasizing institutionalization.

Monitoring on a routine basis is the responsibility of the AID project manager in the Cairo Mission. The contractor is to submit brief monthly reports during the first year of the project; these will be reviewed by the AID project manager and the contractor team leader and any resulting decisions recorded in AID project files. After the first year, unless the AID project manager determines otherwise, formal monthly reports will be dropped and monitoring

will be based on meetings with the contractor team leader and the quarterly and annual reports discussed in the evaluation plan. As indicated in that plan, semi-annual technical progress reviews are part of both the monitoring and evaluation processes. These reviews will be undertaken by a management specialist, who may be AID's project manager, or may be a consultant provided by AID (direct hire or contract). Project funds are set aside for interim and final evaluations, and for progress assessments.

Beneficiary involvement in major decisions and in evaluations will be ensured at two levels. Through the Project Advisory Committee (AdCom) described in the preceding section of the Project Paper, the interested parties at the sectoral level will

- Establish priorities among sectors
- Identify and help provide access to top management of the pool of firms from which the project team (the contractor) will select on technical grounds those to participate in DTA cycles.
- Join company management and the project team in determining the focus and composition of task forces to visit the U.S.
- Be asked to provide inputs into the semi-annual progress assessments and the interim and final evaluations.
- Be a party to key decisions involving project design (e.g., Plan of Operations approval or change).

At a more disaggregated level, that of the firm, the project design ensures that those affected by project operations--including top management--will participate in planning, implementation and evaluation of activities involving them. Information feedback for use by project management will be regularly obtained during the application phases of each DTA cycle and the follow-up in each company six months after each cycle. The interim evaluation will also provide such feedback.

C. EVALUATION PLAN

The inputs, purpose and indicators identified in the project log framework are the fundamental basis for evaluation. This fact is to be reflected in all reporting and record-keeping by the contractor, who will play a key role in evaluation. He will be expected,

- To gather and keep consistent, comparable and (when meaningful) quantifiable base-line data on sectors, companies and managers--individually and collectively--as a normal part of project activity;

- To assess for his own management purposes the effectiveness of the training and consultancy activities and of the U.S. trips in terms of the individuals and organizations involved;
- To keep complete, systematic records that make such evaluation possible over time;
- To provide interim reports on activities and input/output realizations monthly the first year and quarterly thereafter, and comprehensive analytical reports at the end of each year.

The evaluation plan calls for evaluation by AID at two levels of intensity. The first is a semi-annual progress assessment by a management specialist (who may be AID's project manager) at least during the first two years. These assessments will be based on information from project staff and records and limited interviewing of participants and advisory committee officials. The aim will be:

- To compare what was planned with what was achieved and is being done in terms of inputs, outputs, methodology and progress toward planned end-of-project status;
- To review and reassess assumptions underlying the project, and plans for the balance of the project;
- To recommend to AID, the Advisory Committee and the contractor any action indicated to correct weaknesses identified and ensure timely progress toward the desired end-of-project status.

Approximately 24 months after project initiation, a more thorough evaluation will be undertaken by a team of direct hire or contract specialists, assisted by Egyptian survey professionals. This evaluation will be scheduled when training and applications phases are on-going and can be observed. It will involve tapping at least the information sources indicated in the project log frame (B3, C3, D3), including interviews with a sample of managers who have participated in the program and of others in their organizations and elsewhere who have been directly or indirectly involved with the project, as well as a broader survey beyond those involved and comparable with the base-line survey

of the first year. The aims stated above for the semi-annual progress assessments will also be those of the interim evaluation, but in the latter case the comparison, review, assessment and recommendations called for will be far more detailed. This will provide the basis for a judgement by AID and the AdCom as to whether--and what--project redesign or policy changes are needed during the second half of the project's life.

Given the relative uniqueness of the project, an end-of-project evaluation similar to the above is included as the final part of the plan. It would focus on end-of-project status and indicators of goal achievement, and on identifying lessons learned from the project that are likely to be applicable elsewhere.

D. CONDITIONS AND COVENANTS

The grantee agrees to cooperate fully with AID to accomplish the purpose of the Grant. To this end, it accepts the following conditions.

Conditions Precedent to Disbursement

An Advisory Committee shall be constituted consisting of senior representatives of the Deputy Prime Minister for Economy, the Ministry of Industry and the Egyptian Chairman of the Egypt-U.S. Business Council. Members of this committee shall be formally named by the appropriate authorities.

Conditions Precedent to Disbursement, Other than Pre-contract Costs for Contract Negotiation

The arrangement through which the prime contractor is to provide the requisite Egyptian professional staff component to the project shall have been formally and legally established through a signed sub-contract or other equivalent means.

A plan of operations for the first 30 months shall have been prepared by the contractor and approved by AID and the Advisory Committee.

Special Covenant

The Ministry of Industry and Mining will ensure that funds are available to enterprises under its jurisdiction to pay fees for project services as well as Egyptian Pound per diem and other allowances for managers participating in training and/or task force missions.

Negotiating Status

There have been continuous interchanges with the Joint Business Council and the ministries of economy and industry throughout the preparation of the Project Paper and the studies that preceded it. A detailed presentation has been made to the JBC (Egypt) and was made to the full JBC at its meeting in Chicago, May 28-29, 1980. Similar presentations remain to be made to the two ministries, although as a result of prior discussions they are familiar with the general lines of the project and fully support it.

LIST OF ANNEXES

- A. Log Frame
- B. Project Technical Details
 - I. Management Development in Egypt: An Assessment of Needs
 - II. DTA Cycle: Possible Model and Schedule
- C. Initial Environmental Examination
- D. Project Performance Network and Pre-Contract Critical Path Analysis
- E. Recommendation to Purchase Egyptian Pounds with U.S. Dollars
- F. Statutory Checklist
- G. Approval Message
- H. Project Description for Project Agreement
- I. Project Authorization
- J. GOE Request
- K. Justification for Direct AID Contracting

ANNEX A: LOG FRAME

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Goal:</u></p> <p>Increased industrial organization effectiveness, particularly in the form of increased productivity.</p>	<p><u>Measures of Goal Achievement:</u></p> <p>Sectoral Performance: productivity measures, growth, competitiveness (with foreign products in Egypt and/or abroad).</p>	<ul style="list-style-type: none"> • sector and sub-sector data from Ministry of Industry (and GOFI), Ministry of Economy (and Investment Authority), Ministry of Plan, and banks (including the World Bank) • existing relevant sector and/or sub-sector analyses (e.g. by UNDP, AID, IBRD or other foreign assistance agencies, or by university groups) • commercial sources (e.g. Economist Intelligence Unit reports) 	<ul style="list-style-type: none"> • The relationship between this project and others in the USAID portfolio is complementary, not competitive, both in principle and in practice. • Liberalization policy continues. • Investment in these sectors continues.
<p><u>Purpose:</u></p> <ol style="list-style-type: none"> 1. Improve management in selected public and private sector business organizations. 2. Increase supply of, and demand for, effective management development and organization development services in Egypt. 	<p><u>End of Project Status:</u></p> <ol style="list-style-type: none"> 1. In target organizations, significant improvements in <ol style="list-style-type: none"> a) economic performance (e.g. actual change, and both absolute and relative rates of change in such measures as cost/unit produced, sales, profits, market share), and b) management (e.g. changes in teamwork, orientation to organization objectives, information flows, clarification of individual roles within the organization, establishment of appropriate incentive systems and measures of performance, effective long-term planning and control systems). 2. One or more private and/or public sector organizations offering organization-oriented training/consultancy services with competent staff on a regular basis, and significant use of these services in the industrial sector. 	<ol style="list-style-type: none"> 1a) <ul style="list-style-type: none"> • Base-line economic data on sector and firms gathered by project staff during preparatory and diagnostic work; • Post-intervention economic data from sample of participating organizations, collected through individual visits to the firms for mid-point and ex-post evaluations; • Sector data for relative comparisons from sources indicated for verification of goal achievement. b) Management structure, function, process indicators from project records, interviews with participating managers and top management in sample of involved firms and broader survey of management attitudes and practices. 2. <ul style="list-style-type: none"> • Survey management consulting/training community in Cairo regarding services offered • include supply and demand of management and organization development services as topic of interviews in companies referred to above. 	<ol style="list-style-type: none"> 1. Performance improvement is possible through changes within control of management. 2. Significant results are obtained from the training/organization development intervention. 3. Managers participating apply what they learn. 4. Top management wants performance to be improved. 5. There is relative stability in management of involved firms. 6. Existing communications channels/media are appropriate for promotion in this area. 7. Egyptian project staff and/or other qualified specialists will respond to demand for these services by providing them after the project period, doing so as individuals or through new or existing organizations.

INQ

OBJECTIVES:

1. Key managers in selected public and private organizations trained, and assisted in applying appropriate management skills, knowledge and attitudes on the job, and resolution of selected organizational problems in their companies.
2. Identification of management technology appropriate for adaptation and application to specified Egyptian organizational problems.
3. Industrial and management education communities in Egypt informed of project activities, methods and results.
4. Management training materials, including business simulation, relevant to the Egyptian context.
5. Egyptian management trainers/consultants with increased skills and experience.

OBJECTIVELY VERIFIABLE INDICATORS:

Magnitude of Outputs:

- organizational problems analyzed and solved in 40 to 60 companies;
- approximately 600 managers trained in 40 to 60 companies;
- approximately 80 Egyptian managers who have studied U.S. experience in specific area and reported to colleagues;
- approximately monthly appearance of project and/or management-related article, feature, or similar in media;
- 10 to 20 tested Egyptian teaching cases, business game;
- 6 to 10 Egyptians with broad, intensive experience as trainers/consultants in project;
- 6 or more trainers/consultants with intensive Egyptian experience.

MEANS OF VERIFICATION

- Interviews and records in sample of companies regarding problems solved, application of skills over time, utility of U.S. trips, awareness of general project activities and results, quality of project staff
- project reports and records re numbers of managers, companies, participants in US trips, frequency of media appearances
- review of training materials generated by project.

IMPORTANT ASSUMPTIONS

1. Egyptians are accepted by local management as trainers/consultants.
2. Industrial organizations are willing to cooperate in development of training materials.
3. U.S. and Egyptian contractors have case and simulation development capability, or can obtain it.
4. Egyptian and U.S. project staff are relatively stable.
5. There is US management technology that is appropriate and can be adapted and transferred to Egyptian applications effectively.
6. Managers selected will be "key" managers, chosen for ability to learn and to influence company performance.
7. U.S. staff able and willing to "adapt" U.S. management technology.
8. Firms in Egypt will be willing to pay for such services at rates that make providing them financially rewarding.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	<u>Level of Effort/Expenditure for Each Activity (\$000)</u>	Project records and reports.	
<ol style="list-style-type: none"> 1. a) Establish working relationship with advisory committee representing Joint Business Council, Ministry of Industry and Ministry of Economy; b) select and survey industries and organize industry-specific top management seminar; c) recruit companies for diagnostic-training application cycle; d) with company leadership, determine focus of intervention, undertake diagnostic study, then review conclusions and recommendations with top management; e) organize and deliver training, which includes planning project to be undertaken by groups on return to work; f) provide follow-up, including assistance as needed with project and additional consultancy related to focus agreed upon with top management; g) organize and deliver further, more specialized training repeating steps (e) and (f) if this recommended approach is adopted; h) organize follow-up meeting with participants and top management 5 to 8 months after end of each cycle. 	<ol style="list-style-type: none"> 1. Technical Assistance, local & US, MY:41.3 \$4,966 Special Training Comp. 530 Office, Facilities, Equip 443 Evaluation & Surveys 176 Indirect (GOE) 238 SUB-TOTAL 6,353 Contingency 477 Inflation 2,729 TOTAL \$9,559 		<ol style="list-style-type: none"> 1. GOE and business community representatives (JBC, Ministries, GOPI, Investment Authority and others) support the project. 2. There are public and private sector firms willing to participate in the project. 3. Information for diagnostic studies exists and will be made available. 4. Key managers in participating firms will make available time needed for training and consultancy. 5. U.S. firms are willing to cooperate for study visits to the U.S. 6. Communications media in Egypt are willing to cooperate in promotion of management training and organization development. 7. Egyptians with training/consulting skills are available and willing to join the project. 8. The management training/consulting community in Egypt supports the project. 9. Appropriate training facilities can be found and made available.
<ol style="list-style-type: none"> 2. a) Identify organizational problems to become subject of US task force; b) select Egyptian industry managers from those who have been top performers in the training and consultancy program, and Egyptian project staff members, to become task force for US tour; c) develop study methodology and capability, as needed; d) organize task force travel, firm visits, etc; and e) organize reporting system to inform Egyptian Industrial Community of results of task force mission. 	<ol style="list-style-type: none"> 2. Technical Assistance, local & US, MY:2.4 \$170 Special Trng. Comp. 447 Office, Facil., Equip. 25 Evaluation & Surveys 12 SUB-TOTAL 654 Contingency 50 Inflation 269 TOTAL \$973 		
<ol style="list-style-type: none"> 1. a) Develop a strategy and action plan to inform industrial leaders of benefits of management development as a means to improve organizational performance, and to keep the Egyptian management education community informed of project activities; and b) implement the action plan through appropriate existing media and channels. 	<ol style="list-style-type: none"> 3. Technical Assistance, local & US, MY: 1.3 \$145 Office, Facil., Equip. 13 Evaluation & Surveys 6 SUB-TOTAL 164 Contingency 13 Inflation 66 TOTAL \$243 		

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LOG FRAME

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIC
<p><u>Inputs:</u> (Continued)</p> <p>4. a) Assemble training material from Egyptian and other sources; b) develop cases and similar training materials, based on Egyptian experience; c) translate basic training materials into English/Arabic; d) reproduce training materials; e) use the materials, and share them with Egyptian management education institutions; and f) develop bibliography and collection of materials available in Arabic. g) Develop, use and make available Egyptian management simulation.</p> <p>5. Establish and implement professional development plan with and for Egyptian staff.</p> <p>6. Develop and implement Egypt-specific professional development program for expatriate staff.</p> <p>7. Identify and arrange for use of appropriate training facilities.</p> <p>8. Procure needed commodities (vehicles, office equipment, audio-visual equipment, publications...).</p> <p>9. Establish and staff office in Cairo.</p>	<p>4. Technical Assistance, local and US, MY: 4.0 \$263 Special Trng. Comp. 151 Office, Facil., Equip. 54 Evaluation & Surveys 18 SUB-TOTAL 486 Contingency 36 Inflation 211 TOTAL \$733</p> <p>Costs attributed to above input activity directly where possible and otherwise on pro-rata basis in same proportions as manpower inputs.</p>		

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ANNEX B: PROJECT TECHNICAL DETAILS

I - MANAGEMENT DEVELOPMENT IN EGYPT:
AN ASSESSMENT OF NEED

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MANAGEMENT DEVELOPMENT IN EGYPT: AN ASSESSMENT OF NEED¹

I - INTRODUCTION: BACKGROUND AND PURPOSE OF STUDY

The concept of human resources development as a critical component of capital, technological and economic development has gained considerable support in recent years. Numerous examples exist of ineffective development efforts in capital and technological transfer because of inaccurate assumptions about the human resource capabilities to effectively utilize such transfers. The situation in Egypt is not conceptually different. The human resource base here must also be developed to successfully support and adapt appropriate development programs. What may be different, however, is the time frame within which this must occur.

The October Working paper of 1973 and the subsequent economic liberalization policies placed Egypt in a sharp economic transition period - attempting to move rapidly from a centralized state planned economy to a more decentralized market oriented economy. Changes of this intensity and depth, effecting both social and economic structures, have placed a tremendous demand on the functioning capabilities of managers in public and private organizations, particularly those in the industrial sector. As the implementors of policy, their role was viewed as a key to the success of that policy - bringing life to a concept.

Time, however, has proved to be a constraint to implementation. While finance, technology, and capital equipment can be imported and organized rapidly to meet policy aims, it is difficult to place the same expectations on human resource development.

The majority of Egyptian managers in top and middle positions possess managerial knowledge, skills, and attitudes appropriate to past circumstances. Since the norms and values of that past system rewarded and encouraged attitudes and behaviors which were functional, these managers learned and applied a style of management to which they had become thoroughly familiar and comfortable with. However, these same managers, the implementors of a new public policy, are now asked to rapidly change this

1. This is a preliminary summary report on the need for Management Development in Egypt. The final report, expanding on the issues identified here will be submitted to AID by Coopers and Lybrand in August 1980.

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style, requiring the development of management knowledge, skills and attitudes appropriate to the values, interests, and needs required in Egypt's "new economy".

It is at this point that the issue of management development becomes complex, particularly in relationship to managerial style. For some the development of managers becomes one of "degree"-building upon what already exists and adapting it to meet new circumstances. For others it is a matter of "kind" - replacing one management style for another.

Both approaches suffer weaknesses. The former can often represent a cosmetic rather than substantive change, while the latter often results in the imposition of alien value systems and behaviors. Yet, it is precisely issues such as these that must be addressed and dealt with in such a way that a relatively clear path can be chartered for the establishment of management education programs appropriate to the specific needs of Egypt. Thus, the identification of the Management Development needs of Egyptian managers and recommendations to meet those needs is the purpose of this study.

II - ASSESSMENT OF NEED

PART A - THE APPROACH

Objectives of Study

The study was conducted in response to a request from USAID/Cairo to assess Egyptian Management Training needs, focusing on the Middle Management level. The focus on this level reflected a "felt need" in various quarters that a new Egyptian manager was needed to cope with the shifts in organizational functioning that would occur in the new economy and that the appropriate level to begin this development was at the middle of the managerial hierarchy. Therefore, the objectives¹ of the study were:

- to assess manpower policies, organizational structure, patterns of authority/delegation and system of management and operations in a representative sample of Egyptian public and private sector industrial and commercial enterprises.
- to assess the managerial skills necessary for a middle manager

1. These objectives were determined in conversations with USAID officials to clarify the extent of the scope of work.

- to effectively perform within the Egyptian environment.
- o to recommend the appropriate intervention to develop those skills.

Methodology

The study was conducted from 12 March 1980 to 26 April 1980. Information was obtained using individual and group interviews, documentary analysis, and a review of the English literature on management development in Egypt.

Interviews were conducted with over eighty people including Egyptian middle and upper managers, chairmen of various organizations, management consultants, academicians, government leaders, and foreign managers and consultants. The opinions of this group, which included key members of public and private organizations and various leading academic institutions, provided the core data for this study. A complete list of those interviewed will be contained in the Final Report.

The study was complemented by a review of reports on several Egyptian organizations. These reports provided information on management problems both of a technical and process nature. In addition, several literature sources were used which elaborated on the professional opinions of Egyptian experts in management development.

Limitations

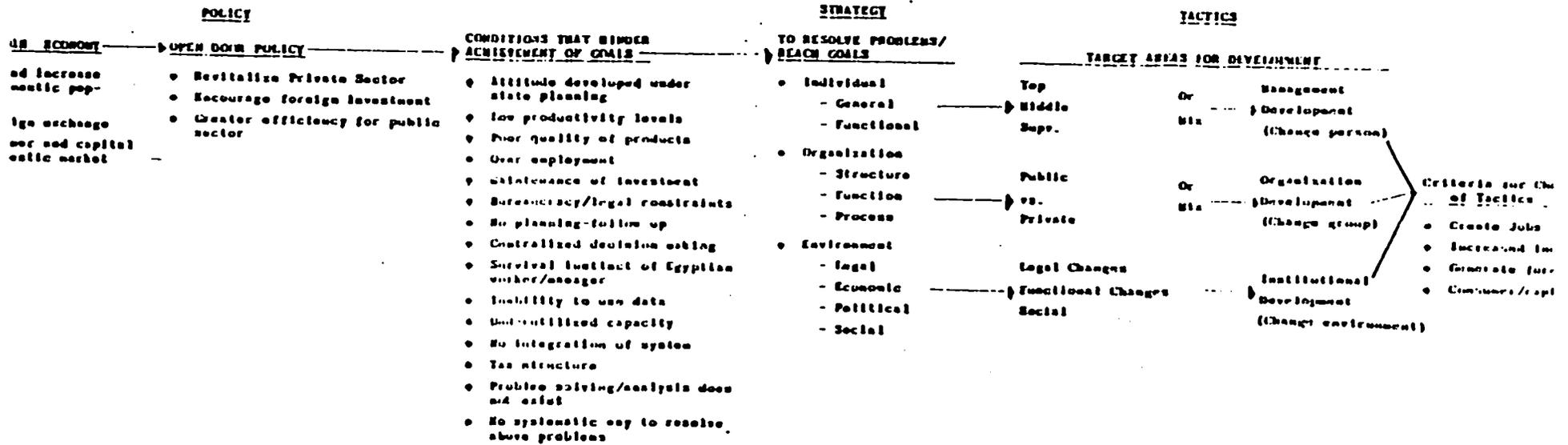
The study was limited by time constraints and the fact that the team was concurrently evaluating a previous pilot program in middle management education. However, the team dealt with this by incorporating elements of the needs assessment with the evaluation process. Secondly, the assessment of management needs on a country-wide basis is a formidable task and may be perceived by some as an unrealistic adventure, worthy perhaps of esoteric research. Since the team was cognizant of this, it approached the assessment with the view that the information gathered was to be used as basis for an incremental decision concerning future management development programs. The team therefore views the assessment as only the beginning of a dynamic process of systematically gathering information about management needs in Egypt.

The Framework

The assessment of Egyptian management needs was approached within a conceptual framework of related policy, strategy and tactics (see Figure 1). Framing the issues of management within this construct gave meaning and purpose

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Figure 1



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to the study and allowed the team to concentrate its efforts within defined areas. Additionally, the approach permitted the various interest groups involved in this assessment to address the issues in a systematic way channeling discussions toward core elements rather than peripheral ones.

- End Results and Policy

The approach began with the assumption that any management project undertaken has a reasonably well defined end result toward which it should make a contribution. In this case, since the original issue was management development in the industrial sector, the end result was viewed primarily as an economic one with related secondary social implications. In support of the achievement of those economic goals (creation of jobs, increased income, etc), the Open Door Policy was established to identify the economic paths Egypt would choose as a means to stimulate its economy. The policy defined programs to revitalize the private sector, encourage foreign investment and increase the efficiency of the public sector.

As with any policy however, there are obstacles which hinder its accomplishment. The identification of those obstacles or conditions became the focal point of the needs assessment and their removal became the objective in choosing appropriate strategic and tactical development programs.

The majority of the factors which impede the Open Door Policy aims were arbitrarily categorized into environmental, organizational, and individual factors. From a managerial perspective, environmental factors are those which are generally considered beyond the direct control of the company, yet can influence the effectiveness and behavior within the firm. In the political realm this may include centralized decisions such as restricting food prices to low levels to reduce social unrest regardless of the impact on a firm's effectiveness. In the legal realm it may involve establishing laws which set employment levels for a firm irrespective of the productive needs of the company.

Organizational factors are those policies, behaviors or conditions which result either as a response to external forces, such as legal changes, or in response to established norms within the organization, such as autocratic leadership. In combination these policies, practices, and conditions become the climate within which individual managers must perform.

Individual factors are the knowledge, skills, and attitudes a person initially brings to an organization and which affect his capabilities to function

or behave as a manager. However, since behavior is a function of the individual and his work environment, these individual factors must also be viewed in the broader context of the organization.

This categorization is done for several reasons. The first is that it allows a factor to be analyzed in isolation determining its origin and characteristics (e.g. how wage rates are established and differentiated); secondly, it allows each factor to be analyzed in terms of its interrelationship with and impact on other factors (e.g. do incentive systems exist solely to supplement low wage rates?). The final reason for the categorization is that it offers a logical beginning to develop strategies and tactics to resolve these conditions.

● Strategies and Tactics

The model illustrates various elements which were considered when approaching a decision concerning the most effective and appropriate ways to resolve managerial problems in the industrial sector. The development of alternative approaches is contingent upon:

- a clear definition of the problem to be resolved and
- an understanding of the interrelationships of individual, organizational and environmental factors.

A problem is defined as the difference between "what should be" and "what is". Therefore, what causes that state to exist becomes the focus of any intervention. The choice of the focus of the intervention is determined by the interrelationships between and within the individual, organization, and environment factors. For example low productivity (the problem) in a firm may be caused by a combination of:

- lack of technical knowledge on workers' part (individual)
- improper layout of work flow (organizational)
- legal constraints on import of necessary raw materials (environmental)

Choosing an intervention which focuses on only one source of the problem while ignoring others may prove to be costly, time consuming, and ineffective. Decisions which include, when appropriate, multiple approaches to problems may be considered more effective.

After defining the problem and analyzing alternative interventions, the decision maker is able to choose the appropriate development program or

programs which effectively address the problem. In this situation the program choices are categorized as:

- Management development (change the person),
- Organization development (change the group),
- Institutional development (change the environment)

The choice of a singular program or mix is dependent upon among others:

- How the problem is defined and what outcomes are sought
- What resources are available
- The levels of commitment of the decision makers to various programs
- The realm of the possible

Whatever the choice the decision must identify and consider the impact other variables can have on the effectiveness of a particular program.

In summary, the model was designed to encourage various groups to make incremental decisions about program objectives, composition, and target groups; and to agree on a common purpose for undertaking any related projects. In essence it was an attempt to address the need for a systematic approach to the resolution of management problems and to place management development in a proper perspective vis a vis other alternatives.

PART B - IDENTIFICATION AND RELATIONSHIP OF FACTORS AFFECTING MANAGERIAL PERFORMANCE

In reference to the model, the first concern was to identify, and analyze the conditions which exist which prevent the accomplishment of the goals of the Open Door Policy. The analysis was designed to point out complex interrelationships which were found to affect managerial performance in Egypt. The findings represent a synthesis of opinions of influential Egyptian industrial leaders, academicians, consultants, and government officials. The findings also describe the context within which these managers perform, for it is that context which can be a key determinant of management ability to achieve organizational effectiveness.

The analysis has two major components. The first is a narrative description of the factors influencing managerial performance; while the second summarizes the data and indicates the interrelationships which exist. The assessment team recognizes that: the data is generalized and that it should not be construed as applying to all situations and all organizations. Obviously

assessing management needs on such a broad scale is fraught with difficulties. We expect, as stated earlier in the paper, that more individualized and organizational specific needs assessments will be conducted. However, we do believe the insights gathered from the process will help in pointing towards the right direction and indicate the need for a more systematic approach to management development than appears to currently exist in Egypt.

The team also believes that the findings here represent some untested hypotheses upon which to construct research models. One of the prime difficulties encountered in this assessment was the lack of research on organizational behavior and functioning and the effect of those factors on performance. Some of the solutions offered by American and Egyptian personnel to increase managerial performance unfortunately overlooked many of these factors.

In the narrative portion of the findings, those factors which effect the performance of Egyptian organizations are described as:

- Leadership, control, authority and power
- Organizational processes
- Managerial role

Leadership, Control, Authority and Power

The political and social revolution which began in 1952 has had extensive impact on leadership patterns in Egyptian organizations. After the coup d'etat power was shifted into the hands of a bureaucratic elite whose source of power and influence arose from their political connections to those who led the revolution. Primarily selected from engineers, the ranks of the military, and academicians their role focused fundamentally on ensuring the success of the revolution - both in political and economic terms. Typical of past revolutions, key positions in the government and industry were given to people whose qualifications stemmed more from political loyalty and trust rather than managerial capability. Appropriate to past times, this approach has set patterns of organizational behavior which exist until today.

Since most organizations were politically controlled, managerial authority was based upon political sources outside the organization, and his survival as a manager was based more on political considerations rather than managerial competence. Since political trust became such a strong value for the top manager, this value system was passed down through the organization. For the lower level manager access to information and trust became his source of power.

The pattern of centralized control was also reinforced by a cultural preference for autocratic leadership. There are, within the social system, firm roles set usually by age and by sex. As such, individuals tend to view themselves as constituents of a group rather than viewing the group as a collection of individuals.

Authority is centralized and is answered with structured deference and obedience. This pattern of social behavior is often found in organizations as well and consequently one finds an abundance of structured social roles. Consistent with this pattern, senior managers generally encourage a dependent relationship on the part of their subordinates, by rewarding the junior manager for behavior which maintains his subordinate position.

As power and control were centralized, the government had a difficult time separating the concept of ownership from management in state controlled organizations. Decisions were made at inappropriate high levels and reinforced the dependent relationship of lower levels of management. Under Arab Socialism and its injunction against improvisation the stage had been set for this centralized approach to operations and today its effects are still part of an organizational behavior. This is evidenced in various forms internal to an organization including lack of delegation, centralized decision making, and an emphasis on procedure rather than results.

Since performance was viewed by many as secondary to political and social success, no effective way to measure organizational performance was developed. As this form of accountability was not earnestly used, the organization itself did not develop internal indicators of successful performance, and organizational results yielded to an input and process orientation. On the individual level there often are no standards of conduct or performance and subsequently no logical consequences to behavior. Within the organizational context the worker developed no internal discipline while the organization provided no external guidance.

In summary, leadership in Egyptian organizations tend to be autocratic in nature which is consistent with its social and political views of authority. Power and control, i.e. the ability to determine outcomes, is dependent on the access to information and trusted people. It is generally centralized in the organization and consequently decentralized forms of management are subject to suspicion.

Organizational Processes

Processes refer to the interactions among people that take place within an organization. It is usually thought of as the factor which differentiates effective organizations from ineffective ones. Given similar structures and functions, some organizational units are able to interact more effectively and consequently produce higher outputs. These processes are classified as communication, motivation and decision making.

It was generally found that in Egyptian organizations, communication patterns tended to reflect the circumstances indicated in the previous section on leadership. Patterns flowed downward rather than two way and tended to move vertically rather than horizontally. The patterns reflected the unwillingness to share information and also reflect the lack of knowledge on how to use information. The patterns are used more to reinforce roles in the organizations rather than to increase its effectiveness. Consequently the organization tends to be more reactive to situations rather than proactive. Strict patterns of communication are followed irrespective of how effective they are, and they tend to reduce the transfer of information.

Motivation patterns often are inappropriate for various reasons. Since performance is not directly rewarded (e.g. incentive bonuses are used to supplement all workers wages) compliance to organizational rules tends to focus on surviving in the organization and maintaining seniority. Appropriate behavior is also motivated by praise and approval from powerful persons creating situations where an individual keeps information so only he can present it to his boss. Generally then, motivational patterns are based on instrumental satisfaction rather than internal satisfaction.

The performance of an organization depends on the effectiveness of the decision making process. However, since there is a lack of sharing of information, a lack of accurate performance criteria, and other variables the quality of a decision is often suspect. The structure and process of an organization often impede the timeliness and ultimate acceptance of the decision. Decision making seems to be more a problem of process skills than of technical skills on the part of the manager. The end result of all this: reactive decision making at inappropriate levels with no systems perspective of the effects and with decisions often overcome by events or based on sufficient information.

Managerial Role

Given the environmental factors, (legal, political, and otherwise), and the organization structure, function, and process that is influenced by the environment, the role the Egyptian manager is expected to perform in the "new Egypt" is severely constrained.

The context or climate within which he manages creates a situation where

- He was promoted based on seniority not managerial capability
- He is expected to execute decisions rather than make them
- He is reactive rather than proactive and is rewarded for being that way
- He is functionally rather than organizationally oriented
- He is encouraged to keep information rather than share it
- His personal agenda is more important than the organization's agenda
- His role and responsibilities are not clearly defined nor are his performance expectations
- He is occupied with collecting data rather than utilizing it
- He is production oriented rather than market oriented
- He assumes he must know more than his subordinates, less than his boss
- He is not rewarded for or encouraged to take risks
- He is not rewarded for or encouraged to learn management skills
- He tends to see no value in planning or follow up since he believes most organizational matters are beyond his control
- He views his role as a system "maintainer" rather than system "manager"

In summary, the role of an Egyptian manager was forged in a static predictable environment which unfortunately is not appropriate to a dynamic uncertain one caused by political, social and economic transition. Figure 2 illustrates the impact these environmental factors can have on both the organization and the manager's individual behavior.

FIGURE 2

ENVIRONMENTAL CONDITION -----> AFFECTS ORGANIZATION -----> AFFECTS INDIVIDUAL MANAGER

I SOCIAL AND STRUCTURAL ISSUES (LEADERSHIP, AUTHORITY, DECISION MAKING, POWER)

=====

o Authority flows from political affiliation of organization. Reflects transitional nature of society, both economically and politically.

- o Power as a concept and as a reality has shifted from elite to land holders to quasi-elite of powerful job holders. Autocratic leadership style reflects this fact levels below top only differ in degree not in kind i.e. key lower positions yield power but of lesser degree.
- o Promotion/access to power is based on other than merit.
- o There is no professional management since the system does not reward the pursuit/achievement of managerial skills
- o Reflecting political aspect of key positions, trust in subordinates is more highly valued than competence.

- o Since promotion or survival is not based on merit, it encourages a power orientation in managers. Since information is a source of power, it is viewed as a scarce, exhaustible and valuable resource that must not be shared - particularly with those below you. The perception is that information shared is power lost. Communication patterns tend to flow one way vertically rather than in complex patterns. This reinforces the autocratic decisionmaking pattern. Information is shared only when it benefits the individual. Personal agendas are always more important than organizational agendas.

N.B. Information and/or trust becomes a source of organizational survival. This may be related to the need of politicians to maintain control over their enterprises. The successful evaluation of a political system is often based on trust of key members. Thus this "value" is passed down the line. It is a fact of organizational life here and it is not necessarily "bad" management.

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ENVIRONMENTAL CONDITION

AFFECTS ORGANIZATION

AFFECTS INDIVIDUAL

• Autocratic Authority structure reflects cultural preference

- Roles are clearly established in a hierarchical fashion
- Organization more reactive than proactive.
- Top managers generally encourage a dependent relationship on the part of their subordinates. This is related to the maintenance of power issue and a general feeling that lower level managers are not technically competent to act independently.

- Manager has need for dependent relationship and creates situations that reinforce role perception.
- No active involvement in decision making process.
- Executor of top down decisions

• Government does not separate ownership from management and therefore operational decisions are made at inappropriately high levels (e.g. prices are set at input and output points and affect profitability of firm)

- Decisions are made appropriate to a static environment rather than to a dynamic one.
- Profit is not the main concern or growth either. These yield to social issues which may be incompatible with "efficiency or effectiveness" of organization.

- Manager views himself as executor of policies.
- Manager in name only - has no authority responsibility.
- Procedure rather than results oriented.

ENVIRONMENTAL CONDITION

AFFECTS ORGANIZATION

AFFECTS INDIVIDUAL MANAGER

- There is no government wide process/formula for public companies to evaluate performance.
- Success is based on inappropriate indicators, some data totally unreliable
- Personal agendas become overriding concern of top managers
- No organizational accountability to results
- Production figures are presented in simplistic fashion with no analysis of interrelatedness to other indicators.
- Incentive systems, thus, become simply tied to production rather than reduced cost or other variable.
- Success is often associated with organizations who don't demand much or don't create "waves".
- No functional measures of success - seniority, access to information, trust - these become key personal issues of success. Merit is not stressed.
- No personal sense of accountability
- No job descriptions to define roles or performance expectations.
- No performance standards and no relation of performance to promotion.
- Role conflicts are high
- Attitude that there is no need to plan, organize toward goals which are ill-defined or merely production oriented.

ENVIRONMENTAL CONDITIONS

→ AFFECTS ORGANIZATION

→ AFFECTS INDIVIDUAL MANAGER

- Ministers consider the top manager as the only one functionally or legally responsible for decisions.

- Top managers do not take risks
- Do not delegate to others because of legal issues/responsibility as well as power issue.
- Organization develops elaborate control mechanisms to manage.
- Decisions are pushed to the highest level possible.
- Top manager acts as a passive role model for subordinate managers.
- Span of control is fully extended - too many people report directly to top managers
- The leadership style is autocratic and reflects multiple (social, legal, personal, political, economic) issues.

- Model behavior of top manager.
- Observes that minister considers the chairman the only decision maker and subsequently pushes all decision upwards in the organization
- Perceives his role as a manager as:
 - into details as much as possible
 - over controls subordinates
 - does not act on his own
 - assumes asking questions of subordinates is a sign of weakness
 - controls information
 - not willing to take risks because the system will not reward him for doing that.

II POLITICAL AND ECONOMIC ISSUES

- Implementation of open door policy is perceived by some as some as progressing too rapidly and its future is uncertain.
- State/centralized planning has existed for 20 years - no competitive foreign market or internal market; all products produced were sold.
- Decisions are made on basis of short term return, are centralized to ensure personal gain over long term organization or national interests. This view also reflects current political uncertainty and an historical preference for short range economic return on investment.
- No concept of marketing of products
- Consumer preference not accounted for; a multitude of other behaviors which are negative in a market economy.
- Mid/lower levels of management do not have commensurate skills to deal with open door policy changes - management gap exists
- Do not participate in decision making.
- Mid/lower level manager also model behavior and work on short term - particularly so individual can receive credit for work rather than the group.
- Manager has no perception of need for competitively pricing or marketing of products
- Manager is input and process oriented and has limited/parochial view of output (e.g. production figures rather than quality or market need/absorption)

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ENVIRONMENT CONDITION

→ AFFECTS ORGANIZATION

→ AFFECTS INDIVIDUAL MANAGER

- Scarce resources lead to perceived and actual conflicts among major economic elements of society.

- There is often no relationship between organizational decisions which may effect other sectors. Consequently same perception is internalized in the organization - one functional area does not relate to other functions. Goals/objectives/targets are set in an informational vacuum and multiple conflicts arise.

- Managers tend to have a parochial viewpoint and this lack of understanding of organizational inter-relatedness is reinforced by the perception that information is power and power is necessary for survival (see previous discussion of this issue)
- Furthermore, managers tend to be promoted strictly within their technical area and are not exposed to different functional areas during career progression - again a parochial view point emerges.

- Labor laws are believed to be too restrictive for economic development (Guaranteed employment, inability to hire/fire).

- Overemployment/lowered productivity rates.
- No organizational decision making ability to allocate/utilize resources
- Organizational conflicts
- Unions/worker representatives often working on conflicting objectives (e.g. incentives are often distributed to all workers despite productivity variances).
- Incentive systems not well designed (e.g. production and quality control departments use production figures as basis for incentive)

- There are no standards of conduct or performance and subsequently no "logical consequences" to actions. This develops no internal discipline in the worker while simultaneously providing him with no external guidance
- Manager often has opposing goals values with workers
- Manager does not strive for higher productivity since promotion is not based on it. Incentives only deal with monetary reward.

ENVIRONMENTAL CONDITION

▶ AFFECTS ORGANIZATION

▶ AFFECTS INDIVIDUAL MANAGER

• In many firms there is a severe problem of financial liquidity due to allocation system of government

- Inventory levels must be maintained at inappropriate levels.
- Production schedules become erratic because of erratic raw materials flow
- Productive utilization of capital equipment declines.

- Managers see no need for planning since they develop a perception that there are too many variables over which they have no control
- Reinforces cultural sense of fatalism

• In past, contracts for government work were based on a cost plus system.

- No organizational performance indicators.
- No accountability for overrun of cost/time.
- No effective planning of projects
- Development of management attitude of "anti-planners" - to plan would negate the organizational benefits of a "cost plus" economic base.

- Managers perceive role as "maintainers" rather than "managers"
- Planning is not necessary or rational
- Follow up/accurate feedback does not occur
- No control of waste
- No concept of inventory control
- No effective way to measure quality

This is not only a technical problem but also involves attitude and behavior. Negative management behavior is rewarded by the system consequently the manager sees no personal rewards to be gained by becoming an efficient manager.

ENVIRONMENTAL CONDITION

AFFECTS ORGANIZATION

AFFECTS INDIVIDUAL MANAGER

- o Some export/import laws are contradictory - they do not encourage generation of foreign currency or in fact result in loss of currency.
- o Allocation of hard currency by government often determine production levels.
- o Investment allocation decisions do not favor labor intensive industries.
- o Pricing policy prevents efficient companies from accumulating funds to apply to expansion project/new ventures.
- o Wage rates are based on historical data (low rates of productivity) rather than on capability. Wage rate increases do not reflect technical competence. Wage rate increases are dictated despite productivity levels.
- o Lack of operating capital
- o Underutilization of capital investment
- o Low productivity per labor hour
- o Underemployment
- o Inability of top management to control its destiny.
- o Encouragement of dependent relationship rather than autonomous one.
- o Organization has no flexibility to reward productive people
- o Organizations experience high turnover of capable people
- o Organization promotes technical person to managerial position so he can have more wages.
- o Sense of complacency
- o Reinforces concept of fatalism
- o No incentive for risk-taking.
- o Inability to raise output per worker hour.
- o Low wages are based on low productivity levels which in turn are caused by governmental allocation decision - concept reinforces fatalism and frustration in dealing with system. This leads to physical or psychological separation from organization.
- o No perceived relationship between individual accomplishment and monetary reward.
- o Excellent technical person becomes bad manager

ENVIRONMENTAL CONDITION----->AFFECTS ORGANIZATION----->AFFECTS INDIVIDUAL MANAGER

- Production/output targets are also based on historical data rather than predictive/integrative view of capability.
- Reactive method of management rather than proactive.
- Underutilized capacity in multiple areas of firm
- No marketing efforts
- No creative response to changing circumstances
- No local decision making capability.
- Manager is occupied in collecting data rather than utilizing it.
- Role focuses on review process of organization rather than predictive
- Maintains system

PART C - IDENTIFICATION OF NEED

Analysis of the conditions which affect managerial performance in Egypt leads one to the following conclusions:

- Management performance must be viewed as a function of the individual working within his organizational environment; and since managers tend to view themselves as part of a group rather than viewing the group as a collection of individuals, a development program must be conducted in such a way as to influence changes in both the individual and the organization.
- Though the environmental factors (legal, political, etc.) influence organizational and managerial behavior, they are probably better addressed in a more comprehensive program. However, a carefully structured individual and organizational development program can influence changes in the environment. In many instances these factors are changing as a matter of public policy and will in the future parallel changes in managerial and organizational performance.
- The purpose of any development program should be the increased effectiveness of the organization measured in terms of economic indicators and organizational processes.
- The development needs of managers must be viewed in terms of process as well as technical capabilities. These capabilities must be developed in practical terms so the manager is able to integrate management knowledge, skills, and attitudes in resolving practical organizational problems.
- Technical skills are needed in the following areas:
 - Economics focused on a transitional mixed economy illustrating the impact of law 43 and how market prices are used as an instrument of policy. Related to this would be a knowledge of how to make technical decisions about the use of appropriate technology and how to balance social goals with the firm's economic ones.
 - Managers need knowledge, skill, and attitude development in marketing of products and services. Until now, there has been no need for these skills. However, this subject area must be viewed in relation to the transitional nature of the economy

and socio-economic status of the market in which the firm functions.

- Managers need to know the area of Production particularly as it related to developing countries. Special circumstances have arisen which have placed many firms in a position of uncertainty as far as raw materials availability, allocation of hard currency, etc. Planning therefore, must be taught within this context; not the context of Western society. The manager must develop an understanding of the relationship between quality, cost, and marketability of a product.
- Managers also need knowledge, skills, and attitude development in the area of Finance and Control. Again, lack of skills in this area are manifested by lack of accurate cost data, lack of cost standards, and an unawareness of relationships of cost to pricing of a product. In the previous analysis of factors this behavior is partly attributable to the centralization of pricing decisions under the state planned economy.
- Managers also need to know how to develop and implement appropriate information systems. Part of the difficulty in this area is related to factors such as unavailability of data or if it is available it is ineffectively stored and only intermittently used. Part of this problem is technical, i.e. knowledge of information systems, but part of it is attitudinal: tending to believe that empirical information is not really important to make a decision. Again, the stress would be on attitude change as well as technical knowledge.
- Though planning, control and follow up can be subsumed under the other functional areas, it should be identified as separate area of concern. A major managerial deficit is the parochial view many of the managers possess. As a product or a process passes from one area to another so does the concern for it. Each manager has developed demarcations and consequently will not cross them to ensure the completion of a job - that becomes someone else's responsibility.

These are the core functional areas which Egyptian managers must learn if they are to effectively perform within the transitional economic state of

Egypt. These functional skills are essential in themselves but particularly must be learned in an integrated fashion. But there is difficulty in assuming that the needs of Egyptian managers can be reduced solely to knowledge of functional areas. The analysis of the factors that influence managerial performance indicate that a prime difficulty is the application of those skills to the work environment. And the difficulty in applying those technical skills within the constraints of the environment is that Egyptian managers lack integrative process skills. These skills deal with organizational issues such as introduction of changes, sharing of information and communication patterns, use of motivational techniques, identification and resolution of problems, dealing with power and influence, delegation, and so forth. Generally, these process skills can be summarized into three major categories:

- Ability to analyze, diagnose, and effectively respond to situations (proactive rather than reactive)
- Ability to interrelate - understand and be able to relate to various elements (people, structures, etc.) of an organization
- Ability to make decisions - developing alternatives to situations and taking a risk in selecting an alternative.

With these three process skills acting as a basis for learning and applying the functional skills, the integrative aspect of management, so critical to the needs of an Egyptian manager, will be effectively developed.

In summary, then, the learning needs of Egyptian managers are categorized as process skills and technical skills. The process skills, forming the core of any development program, include the:

- ability to analyze
- ability to interrelate
- ability to make decisions

Development of these capabilities would form a base for developing knowledge, skills, and attitudes in:

- Development Economics
- Marketing
- Production
- Finance
- Information, Control, and Evaluation Systems

III - PROPOSED INTERVENTION

From the analysis of what influences effective managerial behavior several options are available in the design of a development program. These options include:

- Institutional Development whereby resources are brought to bear to reduce the impact external legal, political, and economic forces have on organizational behavior. The assumption is that once these environmental conditions are changed, the organization and individual will be able to function more effectively.
- Organizational development in which the structure, function, and process are modified so the organization becomes more effective even within the environmental constraints.
- Individual development whereby individuals are taught management apart from their organization. The assumption here is that the individual will apply what he has learned regardless of the organizational climate.

The first option does not appear realistic given the limitation of resources and the absence of any access to a broad political base which could affect the change. More importantly though, is that the environmental factors have been addressed by the Government of Egypt through the Corrective Revolution, the Open Door Policy, and similar broad actions. Though these actions will not generate immediate changes in managerial behavior, they do provide an excellent climate for those changes to take place.

As these environmental factors change and as organizational effectiveness in the industrial sector becomes the sine qua non for approval in the political arena, more and more organizations are moving toward a more professional approach to management. As the demand for effectiveness from an organization increases so does the demand for individual performance increase.

Recommendations

Given these occurrences and given the fact that management performance is a combination of the individual and his environment, a program which addresses both components is recommended. A program of this nature would incorporate the following:

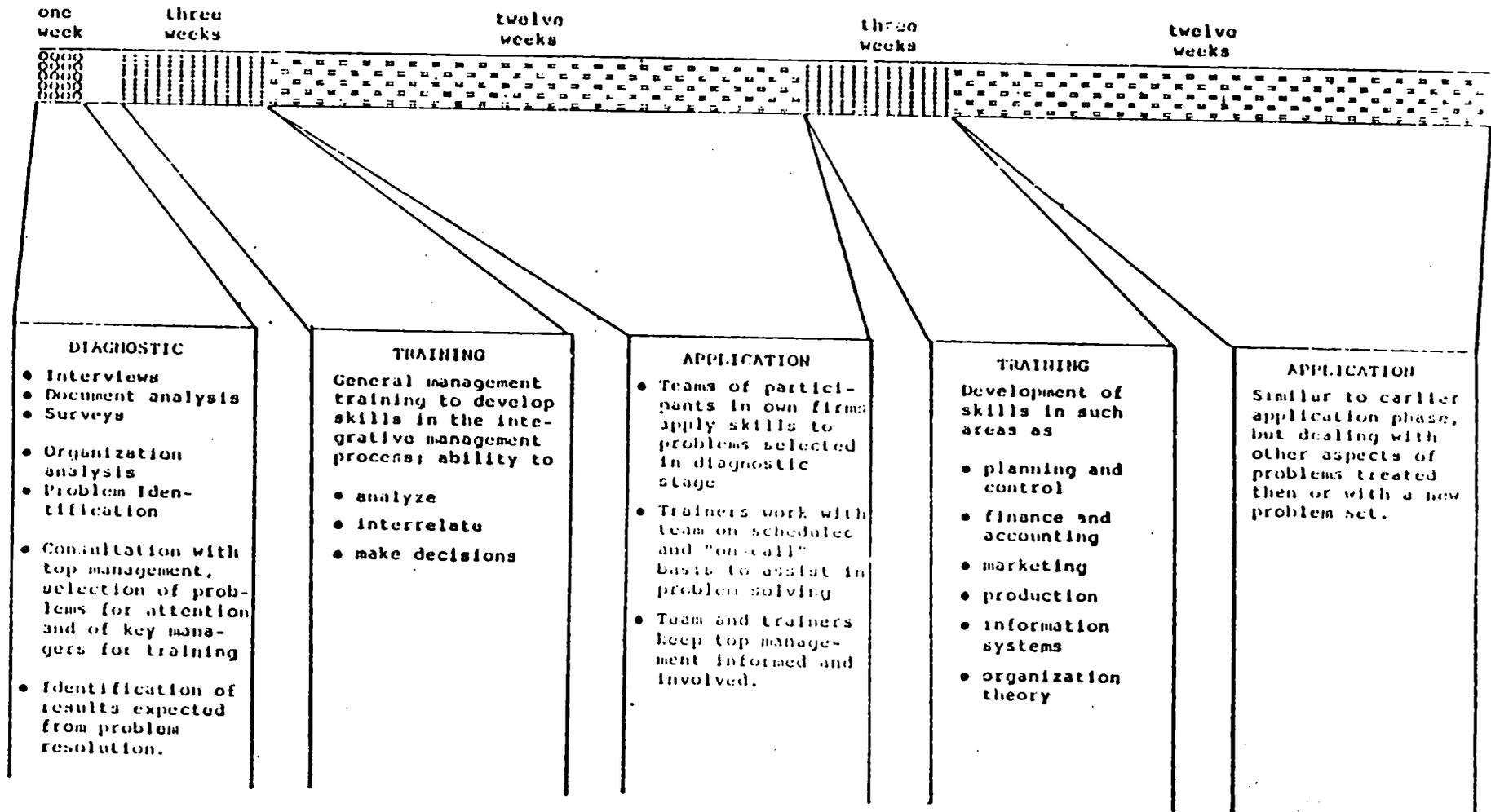
- The client would be viewed as the organization and the purpose of the program would be to increase the effectiveness of the organization. Part of the program would include management consulting to the organization.
- Executive development would stress the application of management skills.
- The focus should be on near term results and with the understanding that there would be a long term development of a cadre of Egyptian managers.
- The emphasis should be on the Egyptian context and focus on the resolution of problems rather than changing of managerial style.
- There should be a stress on methods of adaptation and adoption of modern management techniques. In addition, there must be a mechanism to develop Egypt specific approaches to management.
- The program should include some integration of multiple levels of management.
- To have an impact the program should be focused on teams of managers from specific organizations within specific priority sectors.
- The program should provide a mechanism for research in Egyptian management.
- There should be a component which promotes the role of management development in increasing organizational effectiveness.
- There should be a component designed to enhance the education of current Egyptian experts in management development.

Finally, the program must recognize that managerial capability is often a function of an organizational environment. It is not a product singularly developed and stored until a sufficient amount has been accumulated to have an impact on the environment. Since development of managerial capability is contingent upon the quality of its interaction with its environment some intervention must take place with the environment as well. Management education, therefore becomes only one of many possible elements, working in a complex relationship to effect long range change.

ANNEX B: PROJECT TECHNICAL DETAILS

II -- DTA CYCLE: POSSIBLE MODEL AND SCHEDULE

ONE MODEL OF DIAGNOSTIC, TRAINING, APPLICATION CYCLE
 (Assumptions used in planning and budgeting)

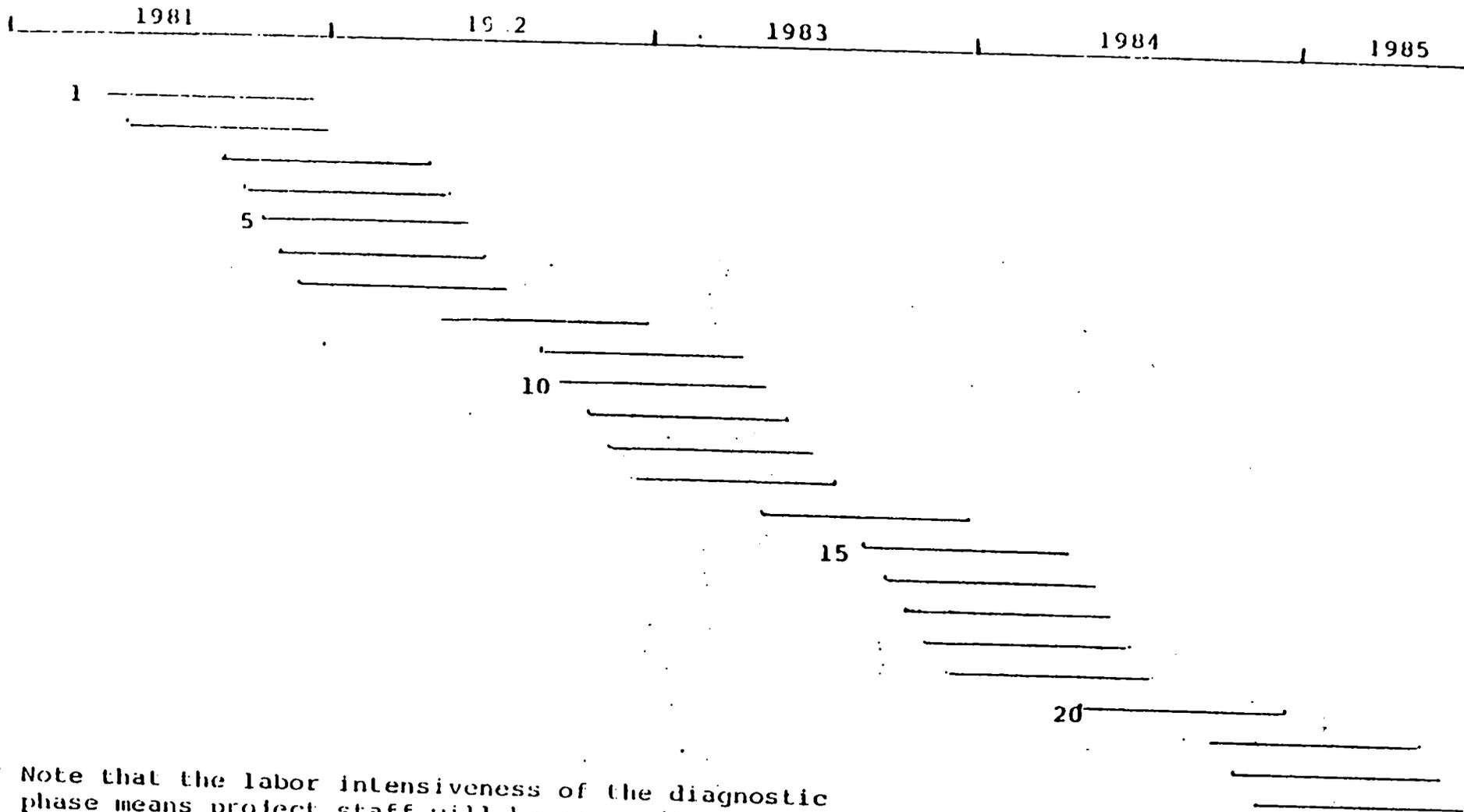


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Table 2: One Possible Schedule of DTA Cycles, Using Model of Table 1*

This figure takes into account the need to balance work load and several external factors (vacations, Ramadan, weather) that make continuous scheduling impractical. However, it is important to recognize that this is not the only feasible schedule and that it does not mean only 23 cycles can be organized.



* Note that the labor intensiveness of the diagnostic phase means project staff will be engaged in it and preparing for the cycle for approximately 3 weeks to cover an average five companies. However, an MDP team would be in any given company only one of those weeks. This programming chart includes the full 3 weeks during which project staff would be so engaged for each cycle.

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ANNEX C: INITIAL ENVIRONMENTAL EXAMINATION

UNITED STATES GOVERNMENT

Memorandum

TO : NE/TECH/HRST, Thomas McDonough
Project Chairperson

DATE: July 22, 1980

FROM : NE/PD/PDS, Stephen F. Lintner *SFL*
Bureau Environmental Coordinator

SUBJECT: EGYPT - Management Development for Productivity Project
Paper (263-0090) - Environmental Clearance

I have reviewed the subject project paper and concur with the 'Negative Determination' funding of the Mission.

cc: GC/NE, T. Carter
USAID/Cairo, Environmental Officer
USAID/Cairo, L. Michael Hager, Senior Legal Advisor
USAID/Cairo, James B. Riley, Urban/Industrial
Development Officer

THRESHOLD DECISION BASED ON
INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Egypt

Project Title: Management Development for Productivity

Funding (Fiscal Year and Amount): FY 80 \$8.5 million

IEE Prepared By: R. Roberts Date: 5/27/80
AID Contractor

Environmental Action Recommended: Negative Determination
(Environmental Assessment, Negative Determination, etc.)

Mission Decision:
(Approval/Disapproval of Environmental Action Recommended in the IEE)

Approved : _____

Disapproved : _____

Date : _____

Clearances:

Environmental Coordinator: [Signature] Date 6/10/80
Other Mission Offices _____ Date _____

INITIAL ENVIRONMENT EXAMINATION
NARRATIVE DISCUSSION

1. Project Location: Egypt

2. Project Title: Management Development for Productivity

3. Funding (Fiscal Year and Amount): FY 60 \$8.5 million

4. IME Prepared By: R. Roberts Date: 5/27/80
AID Contractor

5. Action Recommended: Negative Determination

6. Discussion of Major Environmental Relationships of Project Relevant to Attached Impact Identification and Evaluation Form:

This project is expected to have little or no environmental impact. It is a training project with complementary in-company consultation. It is expected to result in increased productivity in participating farms, which could result in expanded production and new jobs. It is also possible that it could result in creation of some unemployment in some cases, but GOE policies are such as to make this highly unlikely. Increased management capability could have some international impact in the form of increased attractiveness of joint ventures or other forms of foreign investment in Egypt.

IMPACT IDENTIFICATION AND EVALUATION FORM

<u>Impact Areas and Sub-areas</u>	<u>Impact Identification and Evaluation/</u>
A. <u>LAND USE</u>	
1. Changing the character of the land through:	N
a. Increasing the population	N
b. Extracting natural resources	N
c. Land clearing	N
d. Changing soil character	N
2. Altering natural defenses	N
3. Foreclosing important uses	N
4. Jeopardizing man or his works	N
5. Other factors	N
_____	N
_____	N
B. <u>WATER QUALITY</u>	
1. Physical state of water	N
2. Chemical and biological states	N
3. Ecological balance	N
4. Other factors	N
_____	N
_____	N

- 1/N -- No environmental impact
- L -- Little environmental impact
- M -- Moderate environmental impact
- H -- High environmental impact
- U -- Unknown environmental impact

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IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERIC

- 1. Air additives N _____
- 2. Air pollution N _____
- 3. Noise pollution N _____
- 4. Other factors N _____
- _____ N _____
- _____ N _____

D. NATURAL RESOURCES

- 1. Diversion, altered use of water N _____
- 2. Irreversible, inefficient commitments N _____
- 3. Other factors N _____
- _____ N _____
- _____ N _____

E. CULTURAL

- 1. Altering physical symbols N _____
- 2. Dilution of cultural traditions N _____
- 3. Other factors N _____
- _____ N _____
- _____ N _____

F. SOCIOECONOMIC

- 1. Changes in economic/employment patterns L _____
- 2. Changes in population N _____
- 3. Changes in cultural patterns N _____
- 4. Other factors N _____
- _____ N _____
- _____ N _____

G. HEALTH

- 1. Changing a natural environment N
 - 2. Eliminating an ecosystem element N
 - 3. Other factors N
-
-

H. GENERAL

- 1. International impacts L
 - 2. Controversial impacts N
 - 3. Other factors N
-
-

I. OTHER POSSIBLE IMPACTS (not listed above)

-
-
-

Prepared By: R. Roberts Date: 5/27/80

AID Contractor

Project Location: Egypt

Project Title : Management Development for Productivity

ANNEX D: PROJECT PERFORMANCE NETWORK
AND PRE-CONTRACT CRITICAL PATH ANALYSIS

PPT FORM
(May be Expanded as Appropriate)

Country: A.R.E.		Project No: 263-0090		Project Title: Management Development for Productivity				5/19/ 1980		/XX/ Original / / Revision #		PPT app										
or FY: CY 1984						/---CY 1985---																
Month:																						
J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J				
36						48						60										
Prior Actions						15 Complete training phase last cycle 16 Last task force visits end 17 Final Evaluation						Test Action										
Financial Plan:						\$2,106																
Evaluation Plan:												X										

PROJECT PERFORMANCE NETWORK

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PPT FORM

Country: A.R.E.	Project No. 263-0090	Project Title: Management Development for Productivity	Date: 5/19/ 1980	XX Original Revision	Approved:
<p><u>CFR DESCRIPTION</u></p> <p>Prior Actions</p> <ul style="list-style-type: none"> ● 8/80 Pro Ag Signed ● 8/26/80 Bidders Conference, Cairo ● 12/2/80 Contract Signed ● 12/2/80 Plan of Operations to 6/30/83 approved <ol style="list-style-type: none"> 1. 1/3/81 Contractor Team arrives 2. 3/29-31/81 1st Top Management Seminar 3. 4/25/81 1st DTA cycle begins 4. 5/1/81 Promotion Activity Initiated 5. 1/1/82 Egyptian simulation ready for use 6. 6/1/82 1st Task Force to U.S. 7. 12/31/82 7-9 DTA cycles completed 8. 12/31/82 3-4 Task Force visits to U.S. completed 9. 2/15/83 Contractor 2nd Annual Report submitted 10. 2/15/83 Plan of Operations for last two years drafted 11. 3/1-31/83 Interim Evaluation 12. 5/1/83 AID design change decisions based on evaluation 13. 6/1/83 Plan of Operations 7/1/83 - 6/30/85 approved 14. 9/1/83 Begin DTA cycle 15 (or higher) 15. 3/31/85 Complete training phase last cycle 16. 6/15/85 Last Task Force visits end 17. 6/1-7/15/85 Final Evaluation 					

**ANNEX E: RECOMMENDATION TO PURCHASE EGYPTIAN POUNDS
WITH U.S. DOLLARS**

RECOMMENDATION TO PURCHASE
EGYPTIAN POUNDS WITH U.S. DOLLARS

The total cost of this four and a half year project is estimated at \$11.5 million. The USAID financial contribution is set at \$8.5 million, or 74% of total cost. Egyptian entities will provide the local currency equivalent of \$3 million, or 26% of total cost.

Over the life of the project, \$2.8 million, or 33% of the total USAID financial input will be required to cover local currency costs associated with the provision of technical assistance. Included in these local currency costs are local per diem, housing allowances and other miscellaneous costs such as procurement of secretarial and interpreting services, and such local procurement of commodities as is authorized.

To cover these costs, the Mission will purchase Egyptian pounds with U.S. dollars provided by the Project. The Egyptian pounds will in turn be made available to the contractor responsible for project implementation for disbursement in accordance with his contract with USAID, and with the agreements reached between USAID and the GOE in the Project Agreement.

One reason for using dollar funds in conjunction with Egyptian pound costs is that this represents an additional real resource to the Egyptian economy and provides an incentive for the Egyptian Government to implement new initiatives that otherwise it might not be able to undertake. Another is that this project is designed to have the most direct beneficiaries (enterprises) pay a substantial part of the cost. Given the newness and the high start-up costs of the project, it is not feasible to ask Egyptian entities to pay all of the local currency cost, which is half of total project cost. Considering these factors and the importance of the Project to the GOE and the Egypt-U.S. Business Council, we have concluded Project local currency costs should be dollar funded.

ANNEX F: STATUTORY CHECKLIST

SC (2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FY 80 App. Act Unnumbered; FAA Sec. 634A; Sec. 653(b);

(a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?

- (a) Congress will be notified in accordance with regular agency procedures.
- (b) The intended obligation is within the level of funds appropriated for Egypt.

2. FAA Sec. 611(a) (1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

- (a) yes
- (b) yes

3. FAA Sec. 611(a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

N.A.

4. FAA Sec. 611(b); FY 79 App. Act Sec. 101; FY 80 App. Act Sec. (501.) If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?

N.A.

15/7

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

NA

6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

. No

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Through industrial management training and consulting, project will encourage private initiative and improve technical efficiency of industry (impacting (b) and (e)).

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Project sponsor is Egypt-US Business Council, whose purpose is encouragement of US-Egyptian trade and investment. Project will contribute to improving local management resources of prospective partners (and on which investors can draw).

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

Public and private Egyptian contributions will be made in kind and in fees Government and private organizations will pay for services of project. Contribution maximized by fee schedule based on current feasible rates and increase over project life. US-owned local currency is fully programmed and not available for this project.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

All US-owned local currency has been programmed. None is available for this project.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

12. FY 79 App. Act, Sec. 608; FY 80 App. Act Sec. (521.) If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

NA

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

NA

2. FAA Sec. 102(b); 111; 113; 281a.

NA

Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts

of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107.

NA

Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food

reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, (a.) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity - strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and (b.) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is: (1) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves.

(ii) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.)

NA

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)?

NA

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

NA

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's

NA

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intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? **NA**

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. **NA**

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? **NA**

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102? **It will contribute to economic and political stability and reflects Section 102 policy directions.**

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? **NO**

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

(63) x

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? **Yes, as per standard AID procedures**
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? **Yes, except for local cost purchases as authorized**
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will commodities be insured in the United States against marine risk with a company or companies authorized to do marine insurance business in the U.S. **NA**
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? **NA**
5. FAA Sec. 603 Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. **Yes**
6. FAA Sec. 606(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? **Yes**
7. FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services from private enterprise, be furnished on a **Yes**

contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974.

Yes

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

9. FY 79 App. Act, Sec. 105; FY 80 App. Act Sec. [505.]

Yes

Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States?

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?

NA

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

NA

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million?

NA

C. Other Restriction

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

NA

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? **NA**
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? **Yes**
4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, sale, longterm lease, exchange or guaranty of motor vehicles manufactured outside the U.S.? **Yes**
5. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization? **yes**
- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? **yes**
- c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? **yes**
- d. FAA Sec. 662. For CIA activities? **yes**
- e. FY 79 App. Act, Sec. 104; FY 80 App. Act Sec. [504.] To pay pensions, etc., for military personnel? **yes**
- f. FY 79 App. Act, Sec. 106; FY 80 App. Act. Sec. [506.] To pay U.S. assignments? **yes**

g. FY 79 App. Act, Sec. 107; FY 80 App. Act. Sec. [507.] To carry out provisions of FAA section 209(d)? (Transfer of FAA funds to multilateral organizations for lending.) **yes**

h. FY 79 App. Act, Sec. 112; FY 80 App. Act Sec. [511.] To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? **yes**

i. FY 79 App. Act, Sec. 601; FY 80 App. Act Sec. [515.] To be used for publicity or propaganda purposes within U.S. not authorized by Congress? **yes**

ANNEX G: APPROVAL MESSAGE

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TAGS:

SUBJECT: MANAGEMENT DEVELOPMENT FOR PRODUCTIVITY (263-8000)
PROJECT PAPER REVIEW BY THE NEAR EAST ADVISORY COMMITTEE
(NEAC)

1. NEAC REVIEWED SUBJECT PP JULY 18 AND APPROVED IT SUBJECT TO MISSION CONSIDERATION AND RESPONSE TO FOLLOWING NEAC GUIDANCE.

A. THE DECISION BY THE MISSION TO OMIT THE PID FOR THIS PROJECT WAS THE BASIS OF DISCUSSION DURING WHICH NEAC STRONGLY REASSERTED IMPORTANCE OF PID AND ITS KEY ROLE IN PROJECT DEVELOPMENT AND APPROVAL PROCESS. NEAC REAFFIRMED THE NEED FOR AN ORDERLY PROGRESSION OF PROJECT DESIGN AND FOUND MISSION REASONS FOR BY-PASSING PID, IN THIS INSTANCE, TO BE INSUFFICIENT DESPITE SOME UNIQUE CIRCUMSTANCES AND IN MISSION'S VIEW, A RATIONAL BASIS FOR PID OMISSION. NEAC REMINDS MISSION THAT A PID SERVES LOGICAL, USEFUL AND IMPORTANT PURPOSES AND IS AN AID REQUIREMENT.

B. THE PACE AT WHICH AN EGYPTIAN MANAGEMENT DEVELOPMENT ENTITY BECOMES INSTITUTIONALIZED AS A PART OF THIS PROJECT WAS DISCUSSED AS A KEY ISSUE. NEAC QUESTIONED THE PP

ASSUMPTION THAT A NATURAL FORMATION OF ONE OR MORE EGYPTIAN ORGANIZATIONS WOULD OCCUR TO CARRY ON MANAGEMENT TRAINING FUNCTIONS BY CONCLUSION OF FIVE YEAR PROJECT. NEAC APPRECIATES THAT AN EGYPTIAN ENTITY DOES NOT NOW EXIST WHICH COULD BE SELECTED AND NAMED BY THE EGYPTIANS TO ASSUME RESPONSIBILITY IN CONJUNCTION WITH US CONTRACTOR FOR IMPLEMENTATION OF THE PROJECT. IT IS UNFORTUNATE THAT A RESPECTED AND ACCEPTABLE EGYPTIAN ENTITY CANNOT BE CREATED EASILY AND QUICKLY PRIOR TO PROJECT IMPLEMENTATION. HOWEVER NEAC IS CONCERNED WITH THE INFORMAL UNSTRUCTURED APPROACH BEING PROPOSED FOR THE EMERGENCE OF AN EGYPTIAN

ENTITY SOMETIME DURING THE PROJECTS' IMPLEMENTATION AND CONSIDERS THIS TO BE A RISK TOO GREAT TO ACCEPT ON FAITH ONLY. WHEN CONSIDERING THE INSTITUTIONALIZATION ISSUE THERE APPEAR TO BE TWO LEVELS OF NEEDED EGYPTIAN ASSISTANCE, ONE IS A STAFF FUNCTION FOR DAY-TO-DAY OPERATIONAL RESPONSIBILITIES AND THE OTHER IS A MANAGEMENT/TRAINING FUNCTION. THE PROJECT LIKELY CAN BE IMPLEMENTED ONLY WITH GREAT DIFFICULTY WITHOUT EGYPTIAN STAFF LEVEL ASSISTANCE FROM PROJECT INCEPTION. NEAC SUGGESTS THAT THE US CONTRACTOR SUB-CONTRACT WITH AN EGYPTIAN ENTITY FOR THE STAFF FUNCTION WHEN THE US CONTRACTOR ARRIVES ON SITE. NEAC FURTHER PROPOSES A TWO PHASED APPROACH TO IMPLEMENTATION. PHASE I WOULD INITIATE THE PROJECT FULFILLING THE DTA CYCLE FUNCTION AND US TRAINING PROPOSED BY THE PP. DURING THIS PERIOD THE US CONTRACTOR WOULD DRAW UPON THE SERVICES OF THE EGYPTIAN STAFF FUNCTION SUB-CONTRACTOR FOR OPERATIONAL SUPPORT WHICH COULD INCLUDE IDENTIFYING AND ENGAGING EGYPTIAN INDIVIDUALS FOR NEEDED SHORT TERM PROFESSIONAL SUPPORT. THE US CONTRACTOR WOULD ALSO USE PHASE I TO DEVISE AN INSTITUTIONALIZATION PLAN FOR THE ESTABLISHMENT OF AN EGYPTIAN ENTITY. THIS COULD BE A NEW ENTITY OR BE VESTED IN AN EXISTING ONE. PHASE I WOULD BE FUNDED UP TO 3 YEARS. THE PLAN FOR THE INSTITUTIONALIZATION OF THE MANAGEMENT DEVELOPMENT FUNCTION WOULD BE COMPLETED WITHIN 18 MONTHS FROM THE SIGNING OF THE CONTRACT BY THE US CONTRACTOR. FOLLOWING THE DEVELOPMENT OF THE PLAN THE US CONTRACTOR, AID AND THE GOE WOULD DEVELOP A PHASE II PROJECT WHICH WOULD ESTABLISH AN EGYPTIAN INSTITUTION TO TAKE ON RESPONSIBILITIES FROM THE US CONTRACTOR AND TO PROVIDE FOR A LASTING MECHANISM FOR MANAGEMENT TRAINING IN EGYPT. THE BRIDGE BETWEEN PHASE I AND PHASE II WILL OBVIOUSLY HAVE TO BE A GRADUAL ONE BASED ON EXPERIENCE DERIVED IN PHASE I. WE SEE PHASE I FUNDING COSTS FOR THREE YEARS WITH PHASE II BEGINNING IN THIRD YEAR TO PROVIDE FUNDING FOR INSTITUTIONALIZATION OF FUNCTION AND SOME CONTINUATION OF FUNDING DTA CYCLE UNTIL INSTITUTION ESTABLISHED. PROJECT COSTS

WILL HAVE TO BE AMENDED ACCORDINGLY.

C. NEAC IS OF THE OPINION THAT THE US CONTRACT SERVICES SHOULD BE PERFORMED BY A US MANAGEMENT OR EDUCATIONAL INSTITUTION WHICH PERFORMS TRAINING AS A MAJOR FUNCTION AND OFFERS INSTRUCTION AT A LEVEL OF GRADUATE STUDY COMENSURATE WITH THE STATED NEEDS OF THE PROGRAM. NECESSARY DETERMINATION AND RATIONAL SHOULD BE BUILT INTO THE PP ALONG WITH SCOPE OF WORK. THE SCOPE OF WORK MUST BE QUITE PRECISE SINCE IT WOULD LIMIT PROCUREMENT RATHER THAN SPECIFY UNIVERSITY SELECTION PER AID PR SUB PART 7-4.57. INCLUDED WOULD BE US UNIVERSITIES AND MANAGEMENT ASSOCIATIONS BUT PROBABLY EXCLUDED WOULD BE CONSULTANT AND COMMERCIAL FIRMS WHICH HAVE ONLY ANCILLARY TRAINING COMPONENT.

D. THE NEAC NOTED THAT THE ADVISORY COMMITTEE WHICH PLAYS A CRITICAL AND HIGHLY INFLUENTIAL ROLE IN PROJECT ACTIVITIES IS AN ENTITY OUTSIDE PROJECT OR MISSION CONTROL. HOWEVER NEAC CONSIDERS IT IMPORTANT THAT FREQUENT AND OPEN COMMUNICATION OCCUR DURING PROJECT IMPLEMENTATION AMONG MISSION PROJECT MANAGEMENT PERSONNEL, CONTRACT LEADERSHIP AND IN THE ADVISORY COMMITTEE. WHILE NEAC AGREES MISSION SHOULD NOT SERVE AS ADVISORY COMMITTEE MEMBER, IT SUGGESTS THE MISSION CONSIDER HAVING A REPRESENTATIVE FROM THE INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC) AS A PERMANENT MEMBER TO OFFER EXPERT ADVICE BASED ON US BUSINESS MANAGEMENT PRACTICES. MEMBERSHIP FROM IESC WOULD BE PARTICULARLY HELPFUL IN DEALING WITH SPECIFIC COMPANY MANAGEMENT PROBLEMS THAT THE PP PROPOSES TO DEAL WITH. IESC PARTICIPATION WOULD ALSO STRENGTHEN THE ADVISORY COM-

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MITTEE AND SERVE TO PROVIDE A US VIEW POINT. TO OPERATE AS ENVISAGED BY THE PP, THE ADVISORY COMMITTEE SHOULD HAVE A CLEAR UNDERSTANDING OF ITS PURPOSE AND FUNCTION AND THE OBJECTIVES AND IMPLEMENTATION CONCEPT OF THE PROJECT. WITH THESE UNDERSTANDINGS FULLY COMPREHENDED AND ACCEPTED THERE WILL BE A GREATER CHANCE OF HARMONY AND SENSE OF SINGLE PURPOSE AMONG ALL PARTICIPATING GROUPS. NEAC RECOMMENDS THAT THE MISSION FORMULATE A CONDITION PRECEDENT WHICH ESTABLISHES THE FUNCTION, MEMBERSHIP, ESTABLISHMENT, FINANCING AND OPERATING PROCEDURES OF THE ADVISORY COUNCIL BEFORE THE IMPLEMENTATION OF THE PROJECT.

E. THE PROJECT PAPER DOES NOT CLEARLY DETAIL THE MECHANISM FOR THE COLLECTION, ACCOUNTING FOR DISBURSEMENT OF THE FEES PROPOSED TO BE COLLECTED FROM EGYPTIAN

INDUSTRY. NEAC RECOMMENDS THAT A COVENANT BE DEVELOPED BY THE MISSION WHICH REQUIRES THE GRANTEE AND/OR APPROPRIATE AGENCIES TO ESTABLISH A MECHANISM FOR COLLECTION, ACCOUNTING AND DISBURSEMENT OF FEES IN FORM AND SUBSTANCE SATISFACTORY TO AID.

2. NEAC REQUESTS MISSION CABLE RESPONSE TO ABOVE RECOMMENDATIONS INDICATING WHERE, IN MISSION VIEW, PP SHOULD BE MODIFIED PRIOR TO SIGNING OF PROJECT AUTHORIZATION AND WAITING PERIOD FOR CONGRESSIONAL NOTIFICATION. CHRISTOPHER

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ANNEX H: PROJECT GRANT AGREEMENT

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COPY

A.I.D PROJECT NUMBER 263-0090

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PROJECT
GRANT AGREEMENT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND
THE UNITED STATES OF AMERICA
FOR
MANAGEMENT DEVELOPMENT FOR PRODUCTIVITY

DATED: August 31, 1980

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A.I.D. PROJECT NUMBER 263-0090

Project Grant Agreement

Dated: August 31, 1960

Between

The Arab Republic of Egypt ("Grantee")

And

The United States of America, acting through the Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties"), with respect to the undertaking by the Grantee of the Project described below and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will assist the Grantee to increase the effectiveness of industrial organizations by training key managers.

in selected firms and industries, assisting them to apply their learning to actual organizational problems in their companies and sending some of them on short missions to the United States in issues-oriented, industry-specific task forces.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Eight Million Five Hundred Thousand United States ("U.S.") Dollars (\$8,500,000) ("Grant").

The Grant may be used to finance Foreign Exchange Costs, as defined in Section 6.1, and Local Currency Costs, as defined in Section 6.2, of goods and services required for the Project, except that, unless the Parties otherwise agree in writing, Local Currency Costs financed under the Grant will not exceed the Egyptian Pound

equivalent of Two Million Eight Hundred Twenty-four Thousand U.S. Dollars (\$2,824,000).

SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than the Egyptian Pound equivalent of Three Million Eight Thousand U.S. Dollars (\$3,008,000) including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is August 31, 1985, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the

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PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. Initial Disbursement. Prior to any disbursement, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

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(a) A statement of the names and titles with specimen signatures of the person or persons who will act as the representatives of the Grantee;

(b) Evidence of the establishment of an advisory committee consisting of senior representatives of the Ministry of Economy, the Ministry of Industry and Mineral Wealth and the Egypt-United States Joint Business Council ("Advisory Committee") (evidence of the establishment of the Advisory Committee shall include formal designation of its members and delineation of its function, financing and operating procedures); and

(c) Such other documentation and information as A.I.D. may reasonably require.

SECTION 4.2 Disbursements Other Than for Pre-Contract Costs.

Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, other than for pre-contract costs of a prospective contractor and, except as the Parties may otherwise agree in writing,

(a) A.I.D. shall receive, in form and substance satisfactory to A.I.D., evidence that the arrangement through which the prime contractor is to provide the requisite Egyptian professional staff component to the project has been formally and legally established through a signed subcontract or other equivalent means.

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(b) A plan of operations for the first thirty months shall have been prepared by the contractor and approved by A.I.D. and the Advisory Committee.

SECTION 4.3 Disbursement Starting the Fourth Project Year and Thereafter. Prior to any disbursement or the issuance by A.I.D. of documentation pursuant to which disbursement will be made starting the fourth Project year and thereafter the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., a plan for institutionalizing the process of modernizing business management in Egypt through consulting services and training.

SECTION 4.4. Notification. When A.I.D. has determined that the Conditions Precedent specified in Sections 4.1, 4.2 and 4.3 have been met, it will promptly notify the Grantee.

SECTION 4.5. Terminal Date for Conditions Precedent. If all of the conditions specified in Section 4.1 have not been met within 120 days from the date of this Agreement or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2. Project Implementation. The Grantee shall:

(a) Carry out the Project with due diligence and efficiency and in conformity with sound engineering, construction, financial, administrative and other professional practices.

(b) Cause the Project to be carried out in conformance with all the plans and specifications, including all modifications therein approved by A.I.D. pursuant to the Agreement, and provide, on a timely basis, necessary local currency and in-kind support as specified in this Agreement and its annexes.

SECTION 5.3. Cooperation of the Parties. The Grantee shall cooperate fully with A.I.D. to assure that the purpose of the Grant will be accomplished. The Grantee and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance of the consultants, contractors and suppliers engaged on the Project and other matters related to the Project.

SECTION 5.4. Additional Covenants.

(a) The Grantee shall ensure that funds are available to enterprises under the jurisdiction of the Ministry of Industry and Mineral Wealth to pay fees for Project services as well as Egyptian per diem and other allowances for managers participating in training or task-force missions.

(b) The Grantee shall establish a mechanism acceptable to A.I.D. for the collection, accounting and utilization of fees charged to participating Egyptian firms.

(c) The Grantee and A.I.D. shall consult from time to time on how best to institutionalize the process of modern business management in Egypt. Specifically; no later than the fourth Project year, the Grantee and A.I.D. shall consult on how best to implement the plan called for in Section 4.3 above.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods

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and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"); except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b), with respect to marine insurance.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2, will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Egypt ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

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(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency

Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 7.3. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Egypt by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into currency of the Arab Republic of Egypt at the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

SECTION 7.4. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

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Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by A.I.D. or the Grantee to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Ministry of Economy
8 Adly Street
Cairo, Egypt

or

Ministry of Industry and
Mineral Wealth
2, Latin America Street
Garden City
Cairo, Egypt

To A.I.D.:

A.I.D.
U.S. Embassy
Cairo, Egypt

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individuals holding or acting in the offices of Minister of Economy or Minister of Industry and Mineral Wealth, and A.I.D. will be represented by

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the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex I. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

BY: A. Meguid

NAME: Dr. Abdel Razzak Abdel Meguid
Deputy Prime Minister for

TITLE: Economic and Financial Affairs
Minister of Planning, Finance
and Economy.

UNITED STATES OF AMERICA

BY: Alfred L. Atherton, Jr.

NAME: Alfred L. Atherton, Jr.

TITLE: U. S. Ambassador

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Implementing Organization

In acknowledgement of the foregoing Agreement, a representative of the implementing organization has subscribed his name:

MINISTRY OF INDUSTRY AND MINERAL WEALTH

BY: *M. Taher Zaki*

NAME: Mohamed Taha Zaki

TITLE: Minister

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ANNEX i

Description of Project

A. Detailed Description

Increase the effectiveness of business organizations in Egypt, particularly effectiveness as measured in economic terms, with a stress on productivity. To attain this goal, the Project purpose is to:

- Improve management in selected public and private sector business organizations, and
- Increase supply of, and demand for, effective management development and organization development services in Egypt.

The Project will give first attention to those industries considered to have high priority by the Grantee (food, construction materials and textiles), but will also be open to other important industries, such as chemicals, metallurgy, banking and tourism. It will serve large and medium-sized firms in both private and public sectors.

The Project will be implemented by a team of Egyptian and United States management trainers and consultants under the

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direction of a U.S. contractor. Policy direction, guidance in the selection of client firms and access to business and government leaders will be ensured by the Advisory Committee representing the Ministry of Economy, the Egypt-U.S. Joint Business Council, and the Ministry of Industry and Mineral Wealth.

The Project will begin with a start-up period of about four months followed by

- ten to twelve overlapping and sequential cycles in Egypt, each lasting thirty-three weeks and consisting of
 - diagnostic studies to identify organizational problems on which to focus during the cycle,
 - training of key managers in industry-specific groups, and
 - application by the managers of their enhanced skills (with Project support) to solve the problems in their firms identified with top management during the diagnostic phase of the cycle.
- Three or four industry-specific task force missions in which 10 to 15 percent of the participants in the above cycles will undertake issue-centered visits to U.S. firms.

An interim evaluation after approximately 24 months will form the basis of a Grantee/AID decision to allow the Project to continue for two additional years as planned, or to terminate it after 30 months. However, based on the assumption that the Project will

continue, Project activities will not be interrupted during the interim evaluation. If the Parties agree to terminate the Project early, the termination will be effective only after completion of on-going cycles.

The final two years will be essentially the same as the two preceding them, except for changes or additions instituted as a result of the evaluation. Additions might include special assistance to Egyptian organizations wanting to develop an ability to offer similar services after Project completion (or even earlier). During the life of the Project, it is expected that there will be 20 to 25 cycles, reaching 40 to 60 companies and 500 to 600 managers, of whom some 70 to 80 would participate in task force visits to the U.S. The exact numbers of cycles, companies and managers depend on such factors as company size, numbers of managers from each company and scheduling.

B. Financial Plan

The following table sets forth the summary cost estimate and financial plan.

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(\$000)

Project No. 263-0090

Title: Management Development for Productivity

	AID			GRANTEE*	OTHER GRANTEE	COMBINED		
	FX	LC	TOTAL			FX	LC	TOTAL
<u>USE</u>								
<u>Direct Project</u>								
- Technical Assistance	3,612	816	4,428	1,116	---	3,612	1,932	5,544
- Special Training Components	420	265	685	---	443	420	708	1,128
- Office, Facilities, & Equipment	40	495	535	---	---	40	495	535
- Evaluation and Surveys	83	129	212	---	---	83	129	212
<u>Total Direct</u>	<u>4,155</u>	<u>1,705</u>	<u>5,860</u>	<u>1,116</u>	<u>443</u>	<u>4,155</u>	<u>3,264</u>	<u>7,419</u>
<u>Indirect</u>	---	---	---	---	238	---	238	238
<u>Contingency</u>	314	128	442	84	50	314	262	576
<u>Inflation</u>	<u>1,207</u>	<u>991</u>	<u>2,198</u>	<u>655</u>	<u>422</u>	<u>1,207</u>	<u>2,068</u>	<u>3,275</u>
<u>Project Total</u>	<u>5,676</u>	<u>2,824</u>	<u>8,500</u>	<u>1,855</u>	<u>1,153</u>	<u>5,676</u>	<u>5,832</u>	<u>11,508</u>

* Fees charged to participant companies

C. EVALUATION PLAN

There will be two levels of evaluation by AID. The first will be semi-annual progress assessments by a management specialist during the first two years. These assessments will be based on information from Project staff and records and limited interviewing of participants and advisory committee officials. The aim will be:

- To compare what was planned with what was achieved and is being done in terms of inputs, outputs, methodology and progress toward planned end-of-project status;
- To review and reassess assumptions underlying the project, and plans for the balance of the project;
- To recommend to AID, the Advisory Committee and the contractor any action indicated to correct weaknesses identified and ensure timely progress toward the desired end-of-project status.

Approximately 24 months after the Project begins, a more thorough evaluation will be undertaken by a team of A.I.D. direct-hire or contract specialists, assisted by Egyptian survey professionals. This evaluation will be scheduled when training and applications phases are on-going and can be observed. It will include interviews with a sample of managers who have participated in the program and of others in their organizations and

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elsewhere who have been directly or indirectly involved with the Project. The aim will be, in part, the same as for the semi-annual progress assessments but will ultimately be to provide:

- A basis on which AID can decide whether the Project should continue for the full four and a half years programmed, or be terminated after two and a half years, and
- Technical guidance to AID with regard to the implementation of the recommended course of action.

Project Grant Standard

Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A: Project Implementation Letters.

To assist Grantees in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B: General Covenants

SECTION B.1 Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2. Execution of Project. The Grantee will:

- (a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial and management practices, and in conformity with these documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and
- (b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3. Utilization of Goods and Services.

- (a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

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- (b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation. (a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

- (b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5. Reports, Records, Inspections, Audit.

The Grantee will:

- (a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- (b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and
- (c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records and other documents relating to the Project and the Grant.

SECTION B.6. Completeness of Information.

The Grantee confirms:

- (a) that the facts and circumstances of which it has informed A.I.D., or caused

A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

SECTION B.7. Other Payments.

Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marking.

The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C. Procurement Provisions.

SECTION C.1. Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons (and their personal effects) will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date.

No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

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SECTION C.3. Plans, Specifications and Contracts.

In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

- (a) The Grantee will furnish to A.I.D. upon preparation,
 - (1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the pre-qualification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;
 - (2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters;
- (b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by AID in writing prior to their issuance, and their terms will include United States standards and measurements;
- (c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and
- (d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

SECTION C.4. Reasonable Price.

No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers.

To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation letters.

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SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either:

(1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or

(2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or

(3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried:

(1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or

(2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or

(3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately-owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels,

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels, and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.

Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

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SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided:

- (1) such insurance is placed at the lowest available competitive rate, and
- (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency.

If the Grantee (or government of Grantee), by statute, decree, rule, regulation or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property.

The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Termination.

Either Party may terminate this Agreement by giving the other Party 30 days' written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payments which they are committed to make pursuant to non-cancellable commitments entered into with third parties prior to the

termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies.

No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment.

The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

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ANNEX H: PROJECT AUTHORIZATION

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

ASSISTANT
ADMINISTRATOR

PROJECT AUTHORIZATION

Name of Country: Arab Republic
of Egypt

Name of Project: Management
Development
for Productivity

Number of Project: 263-0090

1. Pursuant to Part II, Chapter 4, Section 531 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize the Management Development for Productivity Project (the "Project") for the Arab Republic of Egypt ("Cooperating Country") involving planned obligations of not to exceed Eight Million, Five hundred Thousand United States Dollars (\$8,500,000) in grant funds over a one-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing the foreign exchange and local currency costs of goods and services required for the Project.

2. The Project will assist the Cooperating Country in bringing about (1) identifiable improvement in the management of selected public and private sector industrial and similar organizations in food-related, construction materials and textile industries among others, and (2) increased supply of, and demand for, effective management and organization development services in Egypt. It will also provide locally based management development materials to local management education institutions.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the Cooperating Country or in the United States, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed on flag vessels of the United States.

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b. Conditions Precedent to Disbursement

(1) Initial Disbursement

Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as the parties agree otherwise in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the names and titles with specimen signatures of the person or persons who will act as the representatives of the Grantee.

(b) Evidence of the establishment of an advisory committee consisting of senior representatives or the Ministry of Economy, the Ministry of Industry and Mineral Wealth and the Egypt-United States Joint Business Council. (Evidence of the establishment of the committee shall include formal designation of committee members and delineation of the committee's functions, financing and operating procedures.)

(2) Disbursements Other Than for Pre-Contract Costs

Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, other than for pre-contract costs of a prospective contractor and, except as the parties may otherwise agree in writing:

(a) A.I.D. shall receive in satisfactory form and substance evidence that the arrangement through which the prime contractor is to provide the requisite Egyptian professional staff component to the project has been formally and legally established through a signed sub-contract or other equivalent means.

(b) A plan of operations for the first 30 months shall have been prepared by the contractor and approved by A.I.D. and the Advisory Committee.

c. Special Covenant

The Grantee shall establish a mechanism acceptable to A.I.D. for the collection, accounting and utilization of fees collected from participating Egyptian firms.

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4. Based upon the justification set forth in the Project Paper, I hereby determine, in accordance with Section 612 (b) of the Act, that the expenditure of the United States Dollars for the procurement of goods and services in Egypt is required to fulfill the purposes of this Project; the purposes of this Project cannot be met effectively through the expenditure of U.S.-owned local currencies for such procurement; and the administrative official approving local cost vouchers may use this determination as the basis for the certification required by Section 612 (b) of the Act.

Alfred D. White

Alfred D. White
Acting Assistant Administrator
Bureau for Near East

29 AUG 1980

Date

NE/DP: Bradshaw Langmaid	<i>Dos</i>	Date	<i>8/29</i>
NE/PD: Selig A. Taubenblatt	<i>SA</i>	Date	<i>8/29/80</i>
NE/EI: Gerald Kamens		Date	<i>8/29/80</i>
NE/DP: Peter Sellar	<i>PS</i>	Date	<i>8/29</i>
GC/NE: John E. Mullen	<i>JEM</i>	Date	<i>8/29/80</i>

Drafter:GC/NE:TCarter:paj:8/28/80:X28826

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ANNEX I: GOE REQUEST



MINISTRY OF ECONOMY
AND ECONOMIC COOPERATION

Economic Cooperation

0.0275

Mr. Donald S. Brown
Director
U.S. Agency for International Development
c/o American Embassy
Cairo.

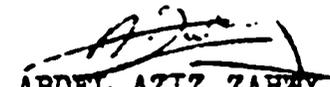
Cairo 28 Aug. , 1980

Dear Mr. Brown,

The Government of Egypt has a strong interest in improving the middle Management in both the private and public sectors. We are aware of the recent management assessment and evaluation of the Middle Management Education Program (MMEP) supported by USAID in collaboration with the Egypt - U.S. Business Council. The Business Council has shared the results of the evaluation and the assessment of management needs in industry. As you are aware, the evaluation and assessment suggest a need for a more effective approach to management development aimed at productivity. We agree that there is a need for a long-term management development program that supports the Government of Egypt's priorities.

We are hereby requesting the U.S. Agency for International Development to provide a \$ 8.5 million grant to implement the proposed Management Development for Productivity Program recommended by the U.S. consultant team.

Sincerely yours,


ABDEL AZIZ ZAHWY
Under Secretary of State
for Economic Cooperation

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EGYPT - U. S. BUSINESS COUNCIL



مجلس الأعمال الأمريكية

Chairman 500025

El Thowra Bldg. Private address:
5, El Alb Street 1252, Imbabilia Bldg.
Flat 302 - Cairo 26, Sherif St.
Tel. 938 527

مارة الثورة
د شارع الأنور
شقة ٣٠٢ القاهرة
ت ٩٣٨٥٢٧

May 3, 1980

MR. D. Brown
A I D
U.S. Embassy
Garden City
CAIRO

Handwritten notes and signatures:
Removal of...
Riley...
5/3
[Signature]

Dear Mr. Brown,

As you know, over the past two months we at the JBC have been collaborating with USAID consultants on the evaluation of the MMEP pilot project, on the assessment of management needs in Egyptian industry and on the development of a plan for future action incorporating the findings of these two studies. We have made good progress.

The project we would like to see in the future will aim at increasing the effectiveness of business organizations in Egypt, particularly effectiveness as measured in economic terms, with stress on productivity. It will give first attention to those industries considered top priority by the Government of Egypt (food, construction materials and textiles), but will be open to other important industries, such as chemicals, metallurgy, banking and tourism. It will serve both private and public sectors.

We have recently had a full exchange of ideas with Mr. Jim Riley and USAID's consultants and we hope that USAID will move rapidly ahead with the project we have discussed and which I understand is now only in the planning stage. The major component of this project is a five-part cycle consisting of:

1. in-company diagnosis and agreement with top management on organization problems on which to focus;
2. management training in team form;
3. application of skills to solution of pre-selected problems on the job, with follow-up by trainers;
4. advanced management training;
5. application of new skills to solution of pre-selected problems on the job, with follow-up by trainers.

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Each cycle would last about 7-8 months and would involve several key managers from a small group of companies in a given industry. With overlapping and sequential cycles, it would be possible to have up to 25 in a four-year project. This means it would reach a substantial number of companies, and enough managers in each to have a real impact.

Special characteristics of this project which are of particular importance are that,

- it is concerned with the companies as much as with the individual managers,
- it involves at one stage or another all levels of management,
- it includes resolving identified problems in participating firms, and
- it has built into it the application of what is learned in training, with follow-up by trainers on a continuing basis to assist the managers in overcoming difficulties they encounter.

Moreover, because it calls for working with teams of managers from participating firms, we would expect it to contribute to the building of teamwork within the organizations. To ensure relevance to Egyptian needs and conditions, and to permit the continuing follow-up by trainers, these cycles would take place in Egypt, utilizing American and Egyptian specialists.

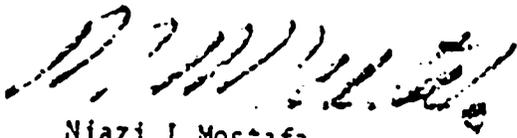
We believe that substantial results can be obtained from this approach, but that we can accomplish even more if selected groups of the managers who have been through the program can undertake special study missions in the United States. What we have in mind is sending perhaps 10-15% of the managers who participate in the program to the US in small teams, each team from a given industry. They would visit firms in the same industry in the US to study the ways in which the American firms have dealt with specific problems or functions of concern to their Egyptian counterparts. The focus and methodology of the study missions should be established in advance and the teams should report their findings to industry representatives orally and in writing, so that the benefits of the mission are available to the industry, not only to the individual.

The benefits of a project of this type should directly reach forty, fifty or even more companies in Egypt, solving real problems in each, and developing in each firm several managers with good, solid modern management training and experience in the application of what they have learned. News of what can be accomplished in this way will spread and demand for management and organization development will grow. The Egyptians involved as project staff, as well as others, will respond to this new demand as individuals and through the organizations with which they are engaged. In sum, the project will have increased both demand and supply of management training and organization development services, to the continuing benefit of Egyptian business.

This project design is built on the suggestions and observations of Egyptian management development specialists and many Egyptian managers, including those who participated in the MMEP, their chairmen, and members. We would like to see it move from its present planning stage to approval and implementation as soon as possible. It is my understanding that it is to be formally submitted to Washington by the end of June, and that once it is approved there, a Request for Proposal must be issued. A contractor will then be selected on the basis of the proposals received. While this process is time-consuming, I am certain you will do whatever is possible to expedite it, and I recognize that it will help us ensure that we obtain the best possible contractor for the job (I trust we will have an opportunity to participate in the selection process).

I appreciate your continued interest and help and I look forward to working with your organization and with the Ministers of Economy and Industry in bringing this project to fruition.

Yours very truly,



Niazi I. Mostafa
NM/emf

ANNEX J: JUSTIFICATION FOR DIRECT AID CONTRACTING

ANNEX J

JUSTIFICATION FOR DIRECT AID CONTRACTING

This project is the result of an initiative of the Egypt-U.S. Business Council, a private bi-national association representing private companies in the U.S. and public and private firms in Egypt. The project is concerned with productivity and with the management of business enterprises. It is to serve both private and public enterprises, giving neither a monopoly on its services. In this it is consistent with AID and GOARE policy, and supports the policy of both.

It is the strongly held view of the Mission that to make a GOE entity the contracting party would at best make very difficult--and at worst render impossible--the maintaining of the necessary balance between service to the private sector and service to the public sector. For this not to be the case, one would have to identify a GOE entity which (a) has the administrative capability to negotiate and manage the contract, (b) could resist the inclination or pressure, to make the project serve primarily or exclusively the public enterprises for which it is responsible, (c) has sufficient credibility with the private sector that the lack thereof would not be an obstacle to project work with that sector, and (d) either has the kind of Egyptian staff needed by the project, has demonstrated the ability to acquire such staff, or would be prepared to let the prime contractor engage them directly or by sub-contract. It is the Mission's considered view that there is no GOE entity meeting these criteria. It is for this reason that a direct AID contract is recommended.

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