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ABU SIR EL MALAK VILLAGE TRANSPORTATION PROJECT
Beni Sweif Governorate

and

MEIT RAHINA VILLAGE TRANSPORTATION PROJECT
Giza Governorate

Arab Republic of Egypt

LDF CASE STUDIES

LOCAL DEVELOPMENT FUND (LDF)

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FORI WORD

The following case study is an example of one of the most successful projects financed by the Local Development Fund (LDF), which is administered by the Organization for Reconstruction and Development of the Egyptian Village (ORDEV).

The LDF makes loans for productive village projects to the Popular Councils in the 22 non-urban governorates in the Arab Republic of Egypt. The LDF is financed by the United States Agency for International Development (USAID), and has provided loans for over 400 projects in our villages since the first loans were made in March 1980.

The LDF loans play an important role in our villages. The projects they finance generate income, and this income is used to repay the loans. Once the loans have been repaid, the projects are self-generating. The profits remain in each village and become part of the village's Service and Development Fund, devoted to village improvements. Many beneficial community projects have been financed through these funds.

Over the past three years, LDF has provided financing for the following important projects in Egyptian villages: poultry raising; egg production; animal production; aquaculture; agriculture; agricultural equipment; food processing; transportation; and other small industries. LDF continuously accepts loan applications for village projects.

We are especially interested in lending for "joint venture" projects. These are projects in which village residents are involved as co-owners with the Local Units. We feel that these types of projects can have the most beneficial long-term impact on the economies of our villages. They foster the development of the entrepreneurial ability of our people, and ensure that the profits are distributed among the village households. In this way, they help to raise the standard of living in our villages.

Minister Mohamed Ahmed Labib
Chairman of ORDEV

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PREFACE

This is one of several case studies written to document the workings of the Local Development Fund (LDF). It is directed both at potential borrowers and agencies supporting LDF, and will also be used as a training tool. Case studies are available in both Arabic and English.

The Local Development Fund (LDF) is a development-lending institution which makes income-producing project loans to the popularly-elected village councils in the 20 non-urban governorates of the Arab Republic of Egypt. It is a semi-autonomous institution under the aegis of the Organization for the Reconstruction and Development of the Egyptian Village (ORDEV).

The fund is capitalized with a grant from the Government of the United States of America through the Agency for International Development (AID). The LDF is governed by an Egyptian Board of Directors, and its loan operations are overseen by a Loan Committee. Technical assistance to the LDF has been provided since its inception by Checchi Company.

The LDF seeks to assist villages in the development of financial viability and administrative capability by making loans for productive projects which increase village revenues. Income generated by the projects repay the LDF loans. Profits become a part of each village's Service and Development Fund, which is devoted to village improvement.

LDF loans have provided financing for the following types of projects in Egyptian villages: poultry, including egg production; animal production; aquaculture, apiculture, agricultural equipment; food processing; transportation, and small scale industry. LDF continually accepts applications for these and other types of village projects.

These case studies represent examples of successful LDF-financed projects, particularly those in which private individuals are involved as co-owners with the village councils. The joint venture projects have potentially the most beneficial long-term impact on village economies. They ensure direct distribution of project profits among participating village households, and therefore raise the residents' standard of living. In addition, they foster development of existing entrepreneurial ability in Egyptian villages, thus strengthening the role of the private sector within the villages.

ABU SIR EL MALAK VILLAGE LDF TRANSPORTATION PROJECT

MEIT RAHINA VILLAGE LDF TRANSPORTATION PROJECT

Two approaches to the administration of village transportation projects in the context of local economic development.

Transportation projects are among the most easily replicable of LDF financed projects. In many villages , existing transportation is insufficient to carry residents to their jobs, to school, and to centers for shopping and health care. Transportation projects thus fill a recognized need in the community, which helps to guarantee demand for their services and ensure success.

The projects are simple in design and relatively easy to administer in Egyptian villages. The Village Local Unit purchases a minibus or minibuses from a dealer, usually in Cairo. Routes are set up between the village and larger villages nearby, and fares are established. Drivers are hired to work six days a week. Some drivers are already Local Unit employees who are reassigned to the minibus project. They are paid incentive pay in addition to their government base pay because of the longer hours of work required. The drivers monitor maintenance requirements of the vehicles.

Income from the project begins to return as soon as the bus route begins operation. In some cases, additional revenues are generated by special off-hour routes to surrounding locations outside the normal area of service.

Villagers can channel the project income in various ways. For example, loan terms are typically 3 years for transportation projects. The Local Unit may choose to use income to repay the loan ahead of schedule, thereby saving interest. Another option is to use project income for other village projects and take the entire 3 year term for loan repayment.

The following cases illustrate the approaches of two villages: Abu Sir El Malak in Beni Sweif Governorate, which completed its loan repayment ahead of schedule, and Meit Rahina in Giza Governorate, which channelled project income into other village projects and used the entire loan term.

The cases are presented as examples of two of the administrative options available to Local Units as they operate transportation programs. The cases also illustrate the relative ease and simplicity with which the programs can be designed and managed by Local Units.

ABU SIR EL MALAK VILLAGE TRANSPORTATION
PROJECT

Project Description

The village of Abu Sir El Malak in Beni Sweif Governorate has been operating a successful minibus transportation project since 1980. The project was financed with an LDF Loan of LE 12,000, and popular participation of LE 3,000.

Two minibuses, each seating 15 passengers, operate six days a week on two major routes: Abu Sir El Malak to Beni Sweif, the capital of the Governorate, 27 kilometers away; and Abu Sir El Malak to El-Wasta, the markaz (center), 22 kilometers away. The fare is PT 20 one way. Buses make five round trips a day, carrying a total of 150 passengers.

Special irregular service is sometimes offered at night to locations such as Tanta, Cairo, and Port Said. The fare on these special rides is calculated by the kilometer.

The Local Unit employs two drivers who work six days a week, Saturday through Thursday, from 7 am to 5 pm.

They receive a base salary of approximately LE 50 from the Local Unit, as well as incentive pay of LE 8 per month for working the longer hours required by the project.

Major maintenance on the vehicles is performed in the Local Unit's maintenance shop. Small repairs are done by private garages in town.

A specialist at the Local Unit is responsible for project accounting, and records of income and expenditures are kept at the Local Unit.

The project has been extremely successful. The Local Unit decided to use the income generated by the minibuses to repay the loan ahead of schedule, thus saving some interest. The loan was paid off in two years instead of three.

After the loan was repaid, the Local Unit used an additional LE 3,000 of project income to invest in a third bus, purchased March 10, 1983 with financing from a new LDr loan of LE 17,000. A third driver has also been employed.

The Local Unit will use additional profits to pay off this new LDF loan.

Economic Benefits

The project has created direct opportunities for additional employment at the Local Unit and has indirectly stimulated employment in supportive activities such as vehicle maintenance and repair.

An additional benefit of greater magnitude is the income received by the village for the transportation service. In the long run, continuous income can be used to finance village services such as road improvements, maintenance, and social services.

The project has also stimulated private sector economic activity in the village. A private entrepreneur has imitated the project by purchasing a microbus to provide local transportation.

Community Benefits

The minibus project has provided residents of the village with transportation to schools, markets,

and important services. The availability of transportation acts to promote economic development by increasing the mobility of the village population.

Background and History

Abu Sir El Malak Village

Abu Sir El Malak is a mother village with a population of 20,000 located in the governorate of Beni Sweif. It is mainly agricultural, with cotton as its major crop. The cotton grown in the village is sold to fabric factories in Beni Sweif. Berseem (clover) is also grown for livestock-grazing. Small amounts of vegetables & corn are grown, but the majority of vegetables consumed come from nearby villages.

Other economic activities in the village include brick factories, beekeeping, and chicken production. Some small-scale commercial activities such as grocery stores also exist.

LDF Loan Activity

The village has traditionally had an acute transportation problem. The Local Unit was seeking a way to alleviate this problem, and heard about the availability

of LDF loans from its ORDEV representative. The decision to apply for a loan for the minibus project was based on village needs and the impression that it would be relatively easy to obtain LDF Loan financing.

Once the first LDF loan was obtained and the project proved to be successful, The Local Unit decided to initiate other LDF Loan applications. A second LDF Loan, financing for a third minibus, was approved. A third LDF Loan application has been submitted for a beekeeping project.

Problem Solving

One problem encountered in the transportation project was that of accidents with the minibuses. Two accidents have occurred to date. No injuries were sustained, however. The Local Unit carries insurance on its vehicles, therefore all damage was repaired at no cost to the Local Unit.

Future Plans

The Village Local Unit plans to use future profits to repay the second LDF Loan ahead of schedule, if possible. Excess profits will be kept in the village's

special account for local use. The village plans to use available funds to improve village services including physical maintenance of roads and infrastructure, and social services.

MEIT RAHINA VILLAGE LDF TRANSPORTATION PROJECT

Project Description

The village of Meit Rahina in Giza Governorate has been operating a successful transportation project since 1981. The project was financed with an LDF Loan of LE 9,000 and popular participation of LE 3,000.

Two minibuses, seating 11 passengers each, operate seven days a week on two routes: Meit Rahina to Badrashein, the markaz, (center), 5 kilometers away; and El Azazayah, the satellite village, to Badrashein, also a 5 kilometer trip. The fare is PT 5 one way. Minibuses operate on these routes 6 am to 3 pm daily. The minibuses carry about 600 passengers a day.

The Local Unit employs two drivers to work seven days per week, from 6 am to 3 pm. They are paid 10% of the profits of the project. Project income averages LE 35-40 per day. This system of payment is designed to increase the drivers' initiative so that they will encourage use of the buses by the villagers. As an extra incentive, drivers receive 20 % of the profits when daily income from the buses exceeds LE 50 per day. Once this incentive was established, drivers often voluntarily extended their hours to 7 p.m.

Two ticket takers are also employed, and their pay is equal to 5 % of the project profits.

The Local Unit has contracted with a mechanic in the village to perform maintenance on the minibuses.

The project has been extremely successful. The Local Unit plans to take the full 3-year term for Loan repayment, and has begun to channel profits into other productive village projects.

In late 1982, the Local Unit received an LDF Loan of LE 19,000 to purchase a 26-passenger minibus. The Local Unit invested LE 6,000 in profits from the first transportation project to help finance this purchase. The new minibus operates on a route from Badrashein to Giza city, with a round trip fare of LE 5. A third driver has been employed. He receives a base salary from the Local Unit, and in addition receives 10 % of the profits from the minibus operation.

Economic Benefits

This project has created direct opportunities for employment at the Local Unit, and has also stimulated employment in the private sector in supportive activities such as vehicle repair.

In addition, the considerable income received by the transportation project is being used in other productive village units. For example, a portion of the profits were used to invest in "battery" cages for the Local Unit's LDF-financed egg layer project, which is operating successfully.

Another venture initiated by the Local Unit with project profits is a sewing project. Young women from the village are supplied with sewing machines, and are trained to manufacture clothing. They sell the clothing to area farmers, and a portion of the income is used to pay the Local Unit for the sewing machines.

Eventually they will own their sewing machines and can continue manufacturing clothing for profit.

The Meit Rahina Local Unit has been effective and creative in its use of resources. Within three years, the Local Unit has increased the value of its projects from LE 4,000 to LE 250,000. It has used LDF loans as seed money for its projects, and combined them with capable and efficient management for the improvement of the village economy.

Because of its growth in number and size of projects, the Local Unit has increased its number of employees by 9 during the past year.

Community Benefits

The transportation project has provided villagers with necessary transportation to the market, to work, and to medical facilities. Formerly there was no such public transportation offered. This increased mobility of the population encourages economic development at the village level.

Meit Rahina Village has greatly benefited from the LDF projects in a number of ways. The increased village revenues derived from the projects have enabled the improvement of village services, such as road maintenance and social services. The Local Unit was able to finance the lighting of all streets in Meit Rahina and El Azazayah during the past year. Also, half of the villagers' electrical wires were replaced.

The village maintains a clinic, a sports club, fire station, ambulance station, post office and telephone office. A

house for funerals is available to residents.

Other productive projects which benefit the village community include a chicken feed mill and a greenhouse which starts plants for sale to village farmers. The village also operates both a motel for visitors and a guest house for students.

This diversity of village services is due in part to the success of the LDF-financed ventures which have increased the village operating funds.

Background and History

Meit Rahina Village

Meit Rahina is a mother village with one satellite village, Al Azazayah, located in Giza Governorate. The total population in the two villages is 60,000.

There is some farming activity, although agriculture is not the economic base of the village. One third of the land is cultivated. Crops include vegetables, barseem (clover) for livestock grazing, corn, and sugar cane.

Most of the workers in Meit Rahina commute to work at the steel and fabric factories in Helwan, the food canning and cooking oil factories in Badrashein, and the sugar refineries and food factories in El Hawamdia.

LDF Loan Activity

The Popular Council in Meit Rahina recognized the severe transportation shortage in the village, and therefore decided to apply for an LDF loan for financing.

The first loan was awarded in 1981, and the two micro-buses were purchased.

Once the first microbus project proved successful, the village decided to expand the project. It combined a portion of its profits with a new LDF Loan to buy a minibus in late 1982.

In April 1982, the village was awarded an LDF Loan to establish a joint venture egg layer project with village residents. Profits from the transportation project and other Local Unit resources were combined with the LDF Loan.

The village has made effective use of LDF Loan financing to establish profit-making village projects. The village resources have grown substantially (from LE 4,000 to LE 250,000) over the past three years with the help of LDF Loans.

Problem Solving

The only problem encountered thus far in the transportation project was an accident caused by the loss of steering. No injuries occurred. The Local Unit contracted with a local engineer to assess the damage, and repairs were made by the mechanic on contract. Other village mechanics volunteered their assistance and lent tools free of charge in order to put the bus in operating condition.

This is evidence of the sense of ownership and pride which village residents have in the project.

Future Plans

In the future, the Local Unit plans to establish regular departure and arrival times for the bus routes. Another plan is to establish a new bus route from Meit Rahina and Saqqara to the Pyramids in Giza along the West Road, which could serve tourist traffic.

In the long run the Local Unit would like to phase out the minibuses, replacing them with minibuses. The village will use profits from its LDF projects and other village activities as financing.

The village also plans to continue the improvement of its diversified physical and social services.

LDF CASE STUDIES

GLOSSARY

- LDF** Local Development Fund, a development-lending institution created to make income-producing loans to elected village councils in Egypt for the operation of village projects. Profits generated by LDF-financed projects may be retained by the village. Funds for LDF were provided by USAID under Development Decentralization I (DDI), an AID project agreement signed May 29, 1978. LDF is administered by ORDEV.
- ORDEV** Organization for the Reconstruction and Development of the Egyptian Village.
ORDEV was established in 1973 to implement the Egyptian government's program of economic and social development of rural villages. It is charged with collaboration with ministries, governorates, local governmental units and all agencies concerned with Egyptian villages.
- USAID** United States Agency for International Development.
US Government Agency which administers U.S. foreign aid. The LDF project is a key element of AID's program to assist the Government of Egypt in its decentralization effort.
- Markaz** Governmental administrative district located in secondary cities in each governorate, with jurisdiction over the surrounding villages.

Local Unit The governmental organization in each mother village which administers village programs. The Local Unit Executive Head is appointed and is the Chief administrative officer in the Local Unit.

Local Councils

Popular Council

The Local Governmental Body elected by the people in each Local Unit. The Council proposes LDF project ideas and reviews applications before submission to LDF. The Executive Head of the Local Unit acts as a consultant to the Popular Council.

Executive Council

The appointed Local Unit Village Council made up of representatives from ministries and other governmental organizations concerned with the Local Unit. The Executive Council reviews loan project application before submission to LDF. The Executive Head of the Local Unit is the Chairman of the Executive Council.

Village Bank Local branch of the district bank for Development of Agriculture Credit, which is under the auspices of the Principal Bank for Development and Agriculture (created in 1976).

Joint Venture In the LDF Loan program, investment in a specific project by the Local Council (with LDF financing and Local Unit Resources) in conjunction with village residents.

Popular Participation Funds, either from Local Unit resources or contributed by village residents, to be used toward LDF-financed economic development projects in the village.

Incentives Payment to Local Unit LDF project employees for work in addition to their normal work load, which may include longer hours of work, or work of greater difficulty.

LE Egyptian Pound

PI Egyptian piastre; 100 piastres equal one Egyptian Pound.