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ACTIVITY REPORT

No. 12

SUMMARY REPORT
Institutional Development for Water and
Wastewater Utilities in the Governorates
of Fayoum, Beni Suef, and Menya

Provincial Cities Development Project, Egypt

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The EHP team consisted of the following individuals:

Team Leader: Institutional, organizational, training and project strategy and design specialist—U.S.-based staff: Dan Edwards.

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ACRONYMS

EHP	Environmental Health Project
GOE	Government of Egypt
markez	political jurisdiction, subdivision of a governorate (plural: *marakez*)
MOF	Ministry of Finance
MOP	Ministry of Planning
NIB	National Investment Bank
NOPSWAD	National Organization for Potable Water and Sanitary Drainage
O&M	operations and maintenance
PCD	Provincial Cities Development Project (USAID-sponsored)
USAID	United States Agency for International Development
WS	water supply
WW	wastewater

EXECUTIVE SUMMARY

USAID/Cairo requested the Environmental Health Project (EHP) to assess the institutional situation in the governorates of Fayoum, Beni Suef, and Menya and to recommend actions to transform the water supply and wastewater organizations into financially viable, autonomous utilities. The first deliverable was an assessment and recommendation of potential options; the second deliverable was an action plan. This report is the third and final deliverable. The whole activity was carried out from April to September 1995.

The introductory chapter of this report reviews and summarizes the tasks required and accomplished. A discussion of the issues requiring attention during the final year of the Provincial Cities Development (PCD) Project is provided in Chapter 2. Chapter 3 gives a checklist of indicators to work towards and monitor during the bridging period (from September 1995 until the project completion, August 1996). A summary of progress to date, results, and conclusions is provided in Chapter 4.

Two key issues will require particular attention in the coming year. First, the team believes an important bridging activity will be for USAID to continue technical assistance in operations and maintenance until the new organizations can operate independently and have improved their supervisory capacity. Second, while the team did not assess governorate-wide systems, the data gathered for the three major cities provide good indicators of management and system needs across the governorates. The Presidential Decree to create governorate-wide water and wastewater utilities, issued on September 4, 1995, has a number of implications for utility management and infrastructure planning. The major transformation tasks for governorate-wide systems will be the same as the creation of municipal utilities, but the scale will increase and the task will require more time and stronger management. Implications for financial viability and infrastructure investment are briefly discussed in Chapter 3.

An overall design of activities to achieve transformation is provided in the action plan (submitted under separate cover, EHP Activity Report No. 11); key indicators to monitor the pace of transformation activities (over five to seven years) are provided here by governorate.

The team believes that this activity has contributed to increased enthusiasm and interest in the governorates to addressing core institutional issues. The three reports generated by this effort identify the problems, provide a baseline against which to measure progress, define actions and priorities in the short and long term, and define an initial framework for transformation. Progress to date provides sufficient justification for continued assistance. Without improved performance in operating and maintaining the present infrastructure, future investment is risky. The overriding conclusion of this effort is that continued institutional support to the three provincial cities in water and wastewater is justified to help them move to the next stage of development.

1 INTRODUCTION

1.1 Background

In March 1995, the USAID/Cairo mission requested the Environmental Health Project (EHP) to conduct a study and recommend actions to transform water and wastewater organizations in three governorates into financially viable, autonomous, self-sustaining entities. (USAID has made major investments in new equipment and treatment facilities in these cities since 1982.)

The transformation process should create entities capable of operating and maintaining the infrastructure efficiently. Recommended actions include: restructuring the current institutions and forming substantially new organizations capable of managing water and wastewater organizations; improving cost recovery; managing budgets; and attracting, retaining, and training qualified staff.

The desired future for these utilities, after improvement efforts have been implemented over several years, will be for them to have:

- the capacity to make investment and borrowing decisions and be able to retain revenues collected;
- the capacity to select, remunerate, develop, and promote staff unencumbered by existing civil service regulations; and
- the authority to charge agreed-upon rates for water and wastewater to recover operations and maintenance costs.

These three essential conditions have been advanced by USAID as the "bottom line" required of any future agreements for technical assistance in transformation efforts.

The Presidential Decree, issued on September 4, 1995, designates seven governorates (including Fayoum, Beni Suef, and Menya) as general organizations with powers to act as economic authorities. Thus, the legal basis has been provided for the three conditions listed above to be met. Responsibility has been passed down to the governorates, and their job is now to form new utilities that meet standards for financial and operational viability.

1.2 Tasks Required of the EHP Team

The EHP team was requested to review institutional options and the legal framework, organizational structures and staff policies, and the financial viability and cost-recovery situation of each of three provincial cities (Fayoum, Beni Suef, and Menya) and the governorates beyond the cities, given available data. The team was asked to do this by cooperating and working with USAID staff,

governorate staff, and the other donors involved.

Within this overall scope of work, the following activities and deliverables were requested:

1. Conduct an assessment leading to an options report

Deliverables:
Overall workplan
Options report

Activities:
Review information and documentation and conduct field studies to review the following: tariff structures; billing and collection and commercial systems; financial relationships with the central government; regulations and policies; water production, distribution, and treatment systems; wastewater systems; operations and maintenance (O&M) procedures; organizational and institutional structures; training; consumer relations; and community involvement.

Based upon the information gathered, report on possible alternatives to achieve institutional transformation and determine the issues to be addressed through future actions.

2. Prepare action plans for the next year: short-term (one-year) actions possible under the present project and for the longer term.

Deliverable:
Action plan report

Review action plans for each governorate with governorate staff and USAID to solicit input and recommendations. Prepare a summary action plan report.

3. Prepare a final report summarizing the results of the activities conducted, issues to be addressed, observations of interest and willingness of involved parties to move ahead, and recommended next steps.

Deliverable:
Final summary report

1.3 Tasks Accomplished

The team completed the following activities during the April-September 1995 time frame:

- Initial visits were conducted in each governorate to introduce the team to the governors, secretary generals, assistant secretary generals, and governorate and city water and wastewater technical staff. These large meetings, conducted with USAID staff assistance, presented an overview of assessment activities and defined data-gathering requirements.

- Several data-gathering visits were conducted in all three governorates. Interviews were conducted with staff at all levels and with representative selections of consumers (where possible). Records were inspected and copied, physical inspections were conducted, and written material was collected.

- Findings were analyzed and profiles were constructed to provide essential, detailed findings (financial, institutional, technical and consumer). These data are presented in the report on findings and institutional options and will serve as a baseline for measuring changes over the years.

- Workshops were designed and conducted to review the findings and key indicators in the governorates of Fayoum, Beni Suef, and Menya. Key problems and desired priority actions were solicited from workshop participants. Options for the appropriate institutional framework were reviewed with municipal and governorate leaders.

- The findings and institutional options report was submitted, reviewed, edited, and completed (*Findings and Institutional Options for Future Management of Water Supply and Wastewater in the Governorates of Fayoum, Beni Suef, and Menya,* EHP Activity Report No. 10, August 1995). In the text, this is referred to as "the options report."

- The action plan development process included initial review meetings with each governorate to gather data and information for possible options. This was followed by drafting the action plans. The action plans were summarized and reviewed in another round of day-long meetings.

- The action plan report was submitted in English and Arabic in draft. The action plan provides specific actions and indicators to achieve results in the bridging period (the last year of the project) and for the transformation period (five to seven years hence). (See *Action Plan: Institutional Development for Water and Wastewater Utilities in the Governorates of Fayoum, Beni Suef, and Menya,* EHP Activity Report No. 11.)

- This report summarizes the findings and next steps; it is the last deliverable under the current scope of work.

2 ISSUES REQUIRING ATTENTION DURING THE BRIDGING PERIOD

2.1 The Need for Continued Assistance from USAID: Supervision in Operations and Maintenance

The team believes a skilled core group of operational-level staff was developed through the assistance of USAID consultants during the PCD Project. However, having skilled staff in operations and maintenance does not necessarily guarantee good performance for the utilities as a whole. Workers need to be supported with good management systems, spare parts, and supplies. There are needs for improved technical capabilities in all performance areas (financial, administrative, planning, management, and O&M). The EHP assessment indicates that supervision and management in the newly constructed facilities are deficient. For example, plant supervisors have been trained by the PCD consultants to conduct daily "walk-around" inspections with O&M checklists. However, many supervisors and mangers have reported that this is not necessary, and inspection walks are often neglected, unless there is outside pressure for them. In other cases, routine tests are not being conducted due to lack of chemicals. Lower-level staff requests for supplies have gone unanswered. Until a new organizational culture and new management and supervisory skills are in place (and rewarded for effective performance), past supervisory practices will continue.

One of the primary conclusions of the EHP assessment team is the need to create a culture of motivated supervisors. Supervisors must be able to demonstrate to workers that they are willing to provide examples (i.e., to serve as "proactive" role models), to get in and do hands-on work (move out from behind their desks), to listen to workers, to understand their needs, and genuinely to convey the message that good performance is important. Dependency on the PCD consultants, demonstrated by reluctance of staff to act without a consultant's support, is sustained by weak leadership at the top and the larger issues of poor reward, low motivation, and lack of a positive organizational culture or identity. Until new utilities are formed and the performance issues addressed, the situation will not change. It is not realistic to expect that past efforts to provide skills training in the PCD Project under the circumstances described would create sustainable change. This will take time.

A short-term strategy will be needed until a new management core and new systems are developed. We believe that past efforts to build the supervisory skills should be continued and linked to future efforts. It is important that momentum not be lost.

The implication for USAID is that continued technical assistance during the bridging period is needed. This will sustain momentum and also ensure that newly installed equipment will be maintained. Otherwise, plant performance will begin to slip, little by little. The challenge is to structure this backstopping to support institutional

change efforts, rather than structure it to be a stand alone activity. Coordination of bridging program interventions with O&M efforts will be key.

Another implication is that senior management teams with a clear understanding of utility management must be built. As mentioned in the action plan, this should be a priority during the bridging period.

2.2 Implications of Governorate-wide Utilities

The "options" report, and the thrust of this effort to date, has concentrated efforts and analysis on the municipal water and wastewater systems in the PCD governorates. The presumption has been that any development strategy to create utilities must start with the human resources and infrastructure strengths that exist in the largest municipal systems. The resources, time available, and scope of work, as it has been clarified over time, have been primarily limited to the areas that USAID has worked in. In addition, data for financial, technical, and human resources analysis were, for the most part, not available in the numerous small and medium-sized systems that exist throughout each governorate. In Fayoum, in particular, by agreement with the Dutch government, efforts were limited to water and wastewater in Fayoum city. The Dutch have been concentrating on the El Azab water treatment plant, which supplies water to a series of marakez[1], and have completed a master plan for the areas outside of Fayoum city.

The issuance of a Presidential Decree to create water and wastewater general organizations as governorate-wide bodies brings with it some potential issues.

2.2.1 Implications for Organizational Systems

The team believes that an organizational structure that comprises the entire governorate would not provide major difficulties for interventions in the organizational systems and operational procedures. The development of financial, billing and collections, preventive maintenance, and personnel systems would be eventually required for all marakez, and could be developed first at the city level and gradually extended to each markez over time. This is the general pattern in institutional strengthening efforts of this nature. The development of these systems, and the strategy for their extension, would be similar to current efforts being conducted in the Cairo water authority in moving work from central to district offices. The primary implication is one of size and time. An assessment will need to be made of the skill levels of staff as an early activity in the transformation process. Strategies for pilot programs and their extension from the core throughout the governorates will need to be designed, based on current performance data as transformation occurs.

Governorate-wide management responsibility will be more complicated to administer. Rather than dealing with one set of community interests, a governorate-wide company will have multiple constituencies and communities; and the planning and forecasting, priority setting, and staff issues will multiply. The implication for management is that strong

[1] *markez*: political jurisdiction, subdivision of a governorate (plural: *marakez*)

senior managers will need to be recruited from executive ranks of corporations within Egypt or other successful parastatal organizations. Technical managers within the current systems will be unlikely to have the experience needed for this level of management.

2.2.2 Implications for Financial Viability

The governorate-wide organizations will need to be considered as unified economic units. The team believes that national-level subsidies (currently identified in the options report) will need to be continued for a number of years, as they have been in all utilities in Egypt. This would be true whether the systems were serving the major cities only or were governorate-wide utilities. With governorate-wide systems, however, a concerted effort will need to be made to identify cost factors and gather cost data across the entire governorate. At the time the team reviewed the data, it was necessary to inspect log entry ledgers and construct analysis tables by hand.

The opportunity (and probable necessity) exists to use cross-subsidization and variable tariff structures for different levels of service and different economic circumstances across different marakez. Detailed studies will be required by the staff of the newly formed organizations.

The time required to convert these utilities to full cost-recovery status for O&M will depend upon the variables of operating costs, tariffs, ability to pay, and political decisions regarding levels of service. The variables in operational costs are potentially more difficult to assess in the smaller systems, such as smaller plants and compact units, many of which have not been designed or constructed properly, and in the various levels of income in small rural villages.

2.2.3 Implications for Infrastructure Investment

In addition to O&M for the existing facilities,the governorate-wide organization will be responsible for meeting the rehabilitation needs of the existing infrastructure and expanding the systems to accommodate population and industrial growth. Also, higher levels of service demands due to changing regulations and customer growth will emerge. To meet these responsibilities, the new organizations need to have the capability to plan, finance, and administer rehabilitation and capital construction projects.

These needs will require that planning units be established in the new organizations. It will be their responsibility to establish liaison and communications with the National Organization for Potable Water and Sanitary Drainage (NOPWASD), the Ministry of Planning (MOP), and the National Investment Bank (NIB). Such planning units should determine the resources and/or services available from these groups, their project planning requirements, the type and availability of financing, and the status of any ongoing projects in the governorates managed primarily by these entities.

The infrastructure and rehabilitation needs for the water supply and wastewater sectors in the three governorates will be very substantial. In their early years of operation, the new governorate organizations will have little capacity to finance new construction with

revenue raised through tariffs. Thus, mastering the procedures of the MOP, NIB, and NOPWASD is essential for critically needed projects to become part of the national government's project planning and implementation cycle.

Organizational aspects of infrastructure planning will need to be addressed. The basic issue is the extent of infrastructure work—planning, engineering, construction supervision, etc.—to be done in-house or through contracts with private-sector engineering firms. Once a national policy is adopted to resolve this issue, staffing can be appropriatly anticipated and programs can move ahead to handle these tasks.

An early activity will be to perform an infrastructure needs assessment for the water supply and wastewater sectors in the governorates. This assessment will use the audit work done during the bridging period to estimate the value of assets to be transferred. The needs assessment itself can be delayed until the new governorate-wide organization is well established as a legal and administrative entity.

The implications of this expanded agenda for USAID will be to decide about the degree of participation in infrastructure development (a continual planning issue). It will be advantageous if the organizations have improved institutional capability and a modern management approach in place should USAID decide to participate in future infrastructure activities. It will be important that any USAID investments be linked to the institutional improvement programs of the governorates.

2.3 Continued Presence and Regular Monitoring by USAID Staff

A number of actions by USAID during the next year would strengthen the possibility of continuity of efforts and progress toward development. Completion of the bridging activities identified in the action plan is essential. However, USAID staff need to have continued, regular, direct involvement on a weekly (or at least bi-weekly) basis in all three governorates. This would demonstrate continued interest, provide a basis of direct information, and help governorate staff to believe that progress can be made and is being made. Suggestions for participation include:

- Attendance at regular transition committee meetings
- Joint development of scopes of work for bridging activities
- Regular inspection tours of newly constructed facilities and of programs in progress, such as leak detection activities
- Regular and detailed discussions with staff at all levels about progress on such issues as the O&M audit, the management development program, the process of setting up a chart of accounts, the assets transfer study, the leak detection program, and the program to increase collections.

3 KEY INDICATORS FOR TRANSFORMATION

3.1 Summary of Indicators during the Bridging Period

In this chapter, a set of indicators is summarized to assist USAID in conducting monitoring and contact actions. The following will serve as a monitoring checklist for progress during the transition period. These indicators are linked to the key activities described in the action plan.

Restructuring for organizational autonomy

- Transition/planning committee formed within one month
- Board of directors formed within seven months
- Temporary offices set up and in use within six months

Corporate planning

- Staff for the new organization identified and a plan in place for their transfer within one year
- Plan for physical assets transfer developed within six months
- Meetings conducted by the steering committee to oversee transition activities at least once a month

Administrative and personnel systems

- Preliminary organizational structure designed within six months
- Position descriptions for key staff and board written within eight months
- Workshops conducted with concerned staff and organizations within six months

Financial systems

- Accounting firm hired
- Preliminary chart of accounts completed
- Auditing work completed
- Budget estimates completed
- Bank accounts opened

Commercial systems

- Work begun immediately on a program to decrease the accounts receivable within three months

- Percentage of collections compared to billed revenues increased by at least 10% over a six month period

- Options defined for an aggressive collections program in the future

- Strategies defined for a modern utility billing and collection system

- Evidence of action completed to inform the public

Operations and maintenance

- Firm hired to implement audit

- Workshops conducted to identify actions required by audit team

- Plan developed to implement the audit team's recommendations

- Water loss reduction program implemented during the year

Staff development and training systems

- Needs assessment completed; a list of priority training needs prepared to form the core design for making funding and design decisions about future training by the end of eight months

- Initial management development program completed; key managers able to articulate a vision for their future water authority, and a core group formed with ideas and plans for future utility management

- Transition committee chairman assigned in the governorates of Beni Suef and Menya

3.2 Indicators to Monitor over the Life of the Transformation

Detailed baseline data are available for overall evaluation and project design purposes in the options report. The indicators presented below (Tables 3.1-3.3) demonstrate key progress points for each governorate. They have been selected because they relate to major systems that need to be developed and are commonly monitored in most successful water and wastewater utilities throughout the world. The column labeled "desired future" indicates generally accepted standards for modern utilities.

Table 3.1 Fayoum City

Indicator	Parameter Measured	Existing Level	Desired Future
Unaccounted-for Water	General WS system O&M	41%	25%
Billed Revenue Collected	Billing collections efficiency	86%	90%
No. of Accounts, Water	Overall system size	43,000	49,500 *
Working Water Meters (% of total accounts)	Consumption measurement efficiency	75%	90%
No. of Accounts, Wastewater	System size compared to WS system	34,000	40,000 **
Employees per 1,000 Accounts–WS	Staff use efficiency - WS system	17	12 to 15
Employees per 1,000 Accounts–WW	Staff use efficiency - WW system	30	12 to 15
Percent of Indirect to Total Staff	Level of self-contained operations	77%	0
Deficit as % of Operating Costs, WS+WW	Financial self-sufficiency	76%	0
Improved Organiza-tional Culture	Pride in organiza-tion; staff morale	Low	High***

*Approx. no. of meters if projected year 2000 population, 90% served.
**Approx. no. of meters if projected year 2000 population, 72% served.
*** Measured by attitude of the employees toward organization and their feeling of being part of a team. This indicator has to be subjectively measured by USAID and others during the transition as they observe the transition

Table 3.2 Beni Suef City

Indicator	Parameter Measured	Existing Level	Desired Future
Unaccounted-for Water	General WS system O&M	52%	25%
Billed Revenue Collected	Billings collection efficiency	77%	90%
No. of Accounts, Water	Overall system size	29,100	34,000*
Working Water Meters (% of total accounts)	Consumption measurement efficiency	75%	90%
No. of Accounts, Wastewater	System size compared to WS system	12,000	14,000**
Employees per 1,000 Accounts–WS	Staff use efficiency - WS system	15	12 to 15
Employees per 1,000 Accounts–WW	Staff use efficiency - WW system	35	12 to 15
Percent of Indirect to Total Staff	Level of self-contained operations	30	0
Deficit as % of Operating Costs, WS+WW	Financial self-sufficiency	63%	0
Improved Organizational Culture	Pride in org.; staff morale	Low	High***

*Approx. no. of meters if projected year 2000 population, 90% served.
**Approx. no. of meters if projected year 2000 population, 72% served.
*** Measured by attitude of the employees toward organization and their feeling of being part of a team. This indicator has to be subjectively measured by USAID and others during the transition.

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Table 3.3 Menya City

Indicator	Parameter Measured	Existing Level	Desired Future
Unaccounted-for Water	General WS system O&M	55%	25%
Billed Revenue Collected	Billings collection efficiency	33%	90%
No. of Accounts, Water	Overall system size	37,400	44,000*
Working Water Meters (% of total accounts)	Consumption measurement efficiency	67%	90%
No. of Accounts, Wastewater	System size compared to WS system	14,000	16,100**
Employees per 1,000 Accounts–WS	Staff use efficiency - WS system	19	12 to 15
Employees per 1,000 Accounts–WW	Staff use efficiency - WW system	57	12 to 15
Percent of Indirect to Total Staff	Level of self-contained operations	83%	0
Deficit as % of Operating Costs, WS+WW	Financial self-sufficiency	81%	0%
Improved Organizational Culture	Pride in org.; staff morale	Low	High***

*Approx. no. of meters if projected year 2000 population, 90% served.
**Approx. no. of meters if projected year 2000 population, 72% served.
*** Measured by attitude of the employees toward organization and their feeling of being part of a team. This indicator has to be subjectively measured by USAID and others during the transition.

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4 RESULTS AND CONCLUSIONS

4.1 Indications of Progress to Date

A number of factors, both attitudinal and action-related, indicate progress toward improved utility management and a willingness to make improvements for the future. When the team first began discussions with the three governorates, an observable skepticism was demonstrated about what could be done, and there appeared to be little belief that assistance would be available from either the Egyptian government or donors. There was almost a reluctance to engage with the consultant team and USAID. As well, there was little evidence that the leadership understood the actions needed in the early meetings. By contrast, the final round of meetings to discuss action plans was met with enthusiasm, interest, and genuine expressions of desire to move ahead. The senior staff appeared relaxed in the presence of, and welcoming to, the assessment team. Senior and mid-level staff in the governorates are beginning to believe it is possible to transform the operational systems.

A few of the more obvious attitudinal changes observed over the past six months have been:

- A shift from reluctance to identify problems towards an openness to admit and talk about deficiencies and actions required to address them
- Openness and responsiveness by mid-level staff to provide data and to expend extra effort to obtain the data requested by the team
- Desire expressed to engage in future activities to improve the performance of the utilities (In part, this desire is aided by the management indicators the team provided. This has helped management see what is important to measure--the task is clearer.)

Specific positive actions taken in the past six months have been:

- The Presidential Decree to formally establish new economic authorities in the governorates
- Assignment of responsibilities to increase collections by the governor of Menya and the mayor of Beni Suef
- Continued efforts at leak detection and training by the PCD consultants (This effort is greatly limited by the lack of grid location maps, and progress will be very slow as a consequence.)
- Recognition by the central government of budget deficiencies for operations and maintenance and the granting of a supplemental grant of US $1 million for this purpose

- Willingness to participate with the team in two rounds of workshops and several rounds of large meetings, as well as numerous individual sessions, interviews, and data foraging activities

The negative factors observed relate to the environment within which systems operate and management conducts itself. These factors are predictable and are the subject of the range of changes required to move away from the present situation into an improved future.

The team believes that careful work by the USAID staff will be required in the governorate of Fayoum. The relationship continues to be complicated by the fact (and interpretation) of history. The accumulated experiences of working together on a major construction project over several years with different contractors, with the inherent frustrations of delays, consultant management, communications problems, and misunderstandings have created a situation of gamesmanship ("we-they") among the parties. This is further complicated by the fact that another donor plays a role and offers possible alternatives to the governorate staff. The challenge will be to turn the relationship into a common perception of needs and actions. A team needs to be built, and a new partnership developed. The situation might be improved by some team-building activities.

4.2 Results Achieved

The EHP team believes that the following results have been achieved by the joint work of USAID staff, the governorates' staff, the Finnish group in Beni Suef, the Dutch group in Fayoum, and the EHP team:

- A detailed set of information about the current situation, supported by data and data analysis, has been provided. This information will serve as a baseline for measuring future progress.

- Problems, deficiencies, and needs have been identified.

- Key indicators for measuring progress have been identified, and current data have been transferred into indicator format.

- A determination has been made that the institutional option selected by the GOE to operate and maintain governorate utilities is appropriate and has the potential to meet service needs and the requirements of USAID for effective management. Perhaps, in 15 or 20 years, a strong basis will have been established for a further transformation toward some form of privatization.

- Actions and priorities for bridging into an institutional development program and continued transformation have been identified, along with indicators for monitoring progress.

- An initial framework with indicators has been designed for the long-term transformation of utilities by activity area and organizational subsystem. This has been presented in an action plan format.

- A basis has been established to assist in the development of a concept paper for future project activities.

- A core group of potential leaders for future activities has been identified, informed, encouraged, and engaged and has begun to

work with USAID staff to define the future for their utilities.

4.3 Conclusion

The team believes progress to date provides sufficient justification to continue to assist the provincial cities. Comparative experience of the team members in other countries and in similar situations in Egypt indicates that there is a readiness to engage in continued development. The strongest need at this stage is to establish the institutional and managerial infrastructure to operate the physical works efficiently and to build the capability to manage for future expansion. Without strong performance to maintain the present infrastructure, investment in the future is risky. The team recommends that USAID follow the path of bridging activities outlined in the action plan and evaluate progress over the next year, while preparing for continuity for the future. The need is strong and the assistance warranted, should USAID desire to move ahead.