

ACTIVITY DATA SHEET

1. TRANSACTION CODE **XD - AAU - 314-A** DOCUMENT CODE
 A = Add Amendment Number **1** CODE **3**
 C = Change
 D = Delete

2. COUNTRY/ENTITY **Egypt**

3. Activity Number **263-0103**

4. BUREAU/OFFICE **Near East Bureau NE** **04**

5. Activity Title (maximum 40 characters) **Basic Village Services**

ACTIVITY ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
12 31 85

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

A. Initial FY **80** B. Quarter **4** C. Final FY **84**

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

A. FUNDING SOURCE	FIRST FY 80			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	6,000	64,000	70,000	5,000	140,000	145,000
(Grant)	(6,000)	(64,000)	(70,000)	(5,000)	(140,000)	(145,000)
(Loan)	()	()	()	()	()	()
Other U.S. 1. PI, 480 Title III		15,000	15,000		75,000	75,000
2. Proceeds						
Host Country					46,500	46,500
Other Donor(s)						
TOTALS		79,000	85,000	5,000	261,000	266,500

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	243	240		10,000				10,000	
(2)	243	250		60,000		75,000		135,000	
(3)									
(4)				70,000		75,000		145,000	
TOTALS									

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

11. SECONDARY PURPOSE

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

A. Code

B. Amount

13. Activity Purpose (maximum 480 characters)

To improve and expand a continuing capacity in governorates and villages plan, manage, finance, implement and maintain locally chosen infrastructure activities.

14. SCHEDULED EVALUATIONS

MM YY MM YY MM YY
 Interim **8 1** **9 2** Final **8 3**

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify) **935**

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

This Amendment adds \$75,000,000 to the original Activity Paper in order to allow more local government units to participate in the program. All other aspects of the activity remain unchanged.

17. APPROVED BY

Signature

Title

Date Signed

MM DD YY

12 23 82

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

MM DD YY

BASIC VILLAGE SERVICES
(FIRST AMENDMENT)

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FIRST AMENDMENT TO THE
BASIC VILLAGE SERVICES ACTIVITY
263-0103

I. Summary and Recommendations

A. This amendment proposes additional funding for the Activity to cover local costs previously approved.

The Activity's direction and objectives remain as described in the original FY 1980 Project Paper. The full discussion in Part II of this Amendment provides review of progress to date and justification for changing the Life-of-Activity funding.

Awareness of the concept of decentralization as advocated by this Activity has rapidly spread to virtually all of the remaining rural Governorates. At the present time \$30,000,000 of PL 480 Title III money has been disbursed and an additional \$15,000,000 worth of grain has been imported under Title I and will be credited to Title III. In FY 81, \$30,000,000 AID grant money was obligated and disbursed and an additional \$30,000,000 will be disbursed this fiscal year, FY 82. This exhausts the AID funding for Activity infrastructure. PL 480 Title III will continue with \$15,000,000 in FY 83 and \$15,000,000 in FY 84. This money is sufficient only for the present nine of twenty one Governorates.

Prior to the arrival of the technical consultants in June 1981, most villages requested potable water systems, the upgrading of access and inter-village roads and for sewerage/drainage related projects. During the past six months the consultant conducted extensive field work. As their presence, and the extent of their expertise, became known to Governorates, districts and villages, there was an increase in the requests for more specialized concerns from villages. With the promulgation of the new Public Law 50 (June 1981), which augments Public Laws 52 (1975) and 43 (1979), the Government of Egypt is stressing again their commitment to the process of decentralization. With increased funding, the range of benefits under Basic Village Services Activity can be greatly expanded.

B. The original Agreement signed August 1980 provided for an AID dollar contribution of \$70,000,000. Of this amount \$60,000,000 was earmarked for subproject infrastructure projects which were to be planned and implemented by local village councils. Based

on the assessment that the Activity should be expanded, it is recommended that the Life of the Activity be increased by \$75,000,000. The entire amount will be converted to Egyptian Pounds to be used for local currency costs. This amendment also requests, as in the original Project Paper, a waiver on the limits on the per unit price and total amount of Code 935 commodities that may be procured as shelf items under Chapter 18 of Handbook 1, Supplement B. The justification for the waiver, contained in Annex XIII and Annex XIX of the original Project Paper, remain valid. Furthermore, the justification of Annex XVIII of the Project Paper, requesting the authority to use dollars to purchase Egyptian pounds required in the Activity, remains valid, i.e. FAA Sec 612(b).

II. Brief Description of Progress to Date

A. Activity Purpose:

The immediate purpose of this Activity is to improve and expand a continuing capacity in local units to plan, organize, finance and implement and maintain locally chosen infrastructure projects. While this purpose is necessarily limited to a capacity-building effort with outputs characterized by physical improvements - roads, water systems, drainage structures - the infusion of capital for infrastructure becomes a stepping off point by which other problems can be tackled and other solutions for other village problems explored.

Capacity building viewed from this vantage is not achieved within the span of a single Activity nor under the urging of a single effort. But the advantage of experience in self reliance, in participating in the setting of one's goals, gives strength and direction to other aims and efforts. (No change from original Project Paper).

B. Background - Progress to Date:

Egypt has had a long record of rural development efforts beginning in early 1940's. During this long period considerable experience has built up, particularly among current senior officials who were involved in these early efforts in rural development. Unfortunately the pace and rate of rural development was adversely affected by major involvements in external relations with neighboring Middle East countries, drastically reducing the amount of capital available for local

infrastructure and by the population explosion which has constantly put pressure on whatever infrastructure improvements were made. While not exactly a new phenomena, the more recent emphasis on decentralization of the administrative and managerial responsibilities of local officials has created a climate of expectations for available resources from these local officials. These expectations were coming at a time when Egypt was not only grappling with the problems of village infrastructure, but was also attempting to rebuild the canal cities damaged by recent wars, as well as create new cities and zones of economic opportunity to relieve the tremendous population pressure on existing inhabited lands.

It is at this point that the Basic Village Services Activity made, and can continue to make, a significant impact. LE.9,665,000, generated by the sale of wheat under the PL 480 Title I Program and converted to the Title III Food for Development Program, were released to the first 3 governorates of Fayoum, Sohag and Sharkeya in December 1979. There were a total of 284 village projects proposed in the initial plan. 89% of the funds disbursed to village units has been expended. The actual rate of completed projects in these initial "Title III" governorates is not uniform with completion rates of 60%, 29% and 85%. The latter figure is from Sohag which coordinated all projects at the governorate based on a three year implementation plan - first buy all equipment (pumps and motors); then pipe; then build pump houses and install pumps and finally hook into the electrical systems. While few sub-projects are totally completed, the initial stage of their implementation schedule have been completed. It should also be noted that Sohag's 1981 allotment was frozen for the first 9 months of 1981 pending resolution of interest earned on Title III funds and thus they were unable to complete the proposed 1981 schedule. By January 1982 Sohag had resumed activities and 1981's schedule was being implemented.

In 1981 LE 26,702,000 was disbursed to 8 of the 9 governorates (Sohag's share being frozen). Each governorate received LE 1,100,000 of Title III funds in February 1981. AID grant money was released in two tranches - April and September. The Composite Status Report up to December 31, 1981, shows an expenditure rate as of that date for 1981 funds. The Composite Status Report also shows 146 projects completed and 629 ongoing out of 1167 sub projects planned. (See Annex A for dates of disbursements from ORDEV to each governorate and Annex B for summary of the Composite Status Report.)

Implementation of potable water projects in many governorates has been delayed due to a shortage of pipe. Studies made in 1979-80 prior to the Activity's implementation recognized the potential shortage but in spite of this local production did not increase rapidly enough to fulfill Activity demands. Utilization of other types of pipe are under review by the technical consultants.

Another delay in the implementation of drainage projects was due to a "technology gap" existing at village, district and governorate levels. High ground water is a problem in many areas, particularly in the Delta. As villagers saw their mud or mud-brick houses collapse around them, neither funds nor technical resources were available to alleviate the situation. The Technical consultants have made a significant impact in this field in two ways. First, their Egyptian engineers have made contacts with local organizations, primarily the Institute for Drainage Research (IDR), for assistance. Secondly, a short-term drainage consultant is in country assisting in making surveys and recommendations in conjunction with engineers from the IDR and the governorates. From these surveys basic on-the-job training programs on the techniques of information-gathering, simple water/soil tests, and simple, but practical applications of various methods to alleviate the high ground-water problem will be given. It is recognized that the high ground-water table is wide-spread over much of Egypt. Many of the proposed sub-projects undertaken in the Activity will not solve the problem, but will provide assistance until the serious nature of this problem is fully recognized and a program, regional in nature, is formulated. The magnitude of this problem cannot be overstated. Aside from any other external funding sources for a wide-scale drainage project, BVS could absorb virtually any amount of additional funds just in drainage alone.

The seriousness of ground-water has also been recognized by the IAC in connection with potable water projects. Many villages are receiving potable water, piped directly into village house-hold taps, for the first time in history. Other villages are expanding old water systems or replacing systems now obsolete. In any case, one interesting socio-economic trait is emerging - villagers prefer to have water piped directly into

their houses rather than to obtain water from the more traditional and more socially oriented well or village stand pipe. The cost of the pipe, faucet, laying of the pipe and installation of the water meter is borne by the house owner. In many cases this is leading to a problem of waste water disposal. The IAC is now requiring that a drainage plan accompany plans for village potable water systems. However, in the field of sanitary and potable water drainage, the Activity could absorb funds equal to those now going into potable water. The consultants have recently produced a study of the "average costs" of a potable water system, a sewage disposal system and lowering of the water table for three sizes of villages... (see Annex C). These planning figures will be useful in determining the magnitude of resources which may be needed for further Activity expansion.

In December 1981 the first training sessions commenced in the fields of maintenance of village water systems and the repair and maintenance of pumps and pump sets. Two sessions will be conducted simultaneously - one for governorate engineers and one for village and district technicians. One program is being conducted by the Ministry of Agriculture, the other by the Ministry of Industry and Trade (The Ministry of Agriculture's Training Center has received considerable AID assistance in the past.) Professional training staff of these two organizations are being utilized. Revised and tailor-made visual aids were produced for the BVS training courses. After the pilot courses have been evaluated and, if necessary, revised, they will be replicated for all governorates.

Further technical training will be given for district and village road maintenance personnel. These courses are now being designed and will be held in individual villages and districts. The numbers of people to be trained are sizable and it is anticipated that a year will be required for total Activity coverage. However it is important that personnel of the lowest levels of operation and maintenance be given significant training. AID project personnel feel that this level of employees - ie, the operator and maintenance personnel at the district and village level - are the least trained, least educated and least paid and therefore should receive the bulk of the technical training. It should be noted here that rural Egypt is suffering from a serious shortage of available labor. 1,400,000 Egyptians work outside of Egypt and this figure might be considered conservative. Thousands more gravitate each year

to the provincial cities as well to Greater Cairo in search of higher-paying jobs. In most instances the labor force remaining at the village level are those unable or unwilling to leave the village - and most of these people are farmers or craftsman. In short there is little social or financial attraction for a young man to stay in the village and work (outside his families holdings).

The consultant's personnel will begin in-depth sessions with each governorates planning and financial staff in preparation for the 1982 plans and budget. The first years grant money as well as both years of Title III funds were generally allocated to each village on a per capita bases by the governorate. The concept that every one shares on an equal bases is a difficult one to break through. It also leads to implementation problems as some villages' projects are over funded and others under funded. Through the planning and programming sectors of the technical consultants it is hoped that governorates can be persuaded to allocate funds more on Activity needs than on a per capita bases. Whether this can be accomplished in one or two years remains to be seen, but it is a crucial element in programming strategy. However there is, in the Agreement, a clause that villages, districts or governorates which have not satisfactorily implemented prior years projects will receive no new funds. Thus there is a little "stick" to go with the "carrot".

In 1982 and 1983 there may be more diversity in the type of projects requested due to the fact that the most obvious and crucial projects-(potable water and roads) - will be completed. Any additional funds in FY 1982 and 83 may also be used to add to or fully fund projects begin in the first year of the Activity.

C. Maturation of BVS:

In general implementation has been consistent with the original concepts of the Activity. Likewise some of the anticipated problems and constraints noted in the original Project Paper have been borne out in actual implementation. In general it was envisioned that village councils would propose, plan and implement their own projects. In many governorates variations of this assumption have, indeed, transpired. Other governorates have implemented projects according to the local scene.

In Beheira and Sharkia water projects have tended to augment existing governorate-wide comprehensive water systems. Thus while the village receives a critical service, i.e., water, the local council may have a relatively minor role in implementation. In another governorate, Sohag, where there are virtually no village banks and relatively few village financial units, implementation has been coordinated and controlled by the governorate. As noted elsewhere this has caused implementation problems.

The original PL 480 Title III program initiated the concept of an Inter Agency (Ministerial) Committee (IAC) to provide broad policy guidelines to the Activity. While the Committee has assumed the intended primary role in establishing general policy and guidance, they have also retained somewhat of the more traditional role of centralized supervision. There is some reluctance to grant authority to governorates to shift funds between villages or even to change projects without IAC approval. Decision-making delays still occur. There are cases where several months pass before modifications of project change approvals have been transmitted to local authorities, as well as delays in releasing funds.

While maintaining their prerogative to approve projects, the IAC has been less enthusiastic in solving problems. They have declined to streamline and refine the reporting and monitoring process. They have not provided full budgetary support required for training. In areas of implementation the IAC has not provided assistance to alleviate high installation costs charged by one central ministry to local governments nor have they attempted to resolve the distribution shortages of asbestos cement pipe, which are delaying many sub-projects. Nevertheless, all generic problems continue to be highlighted for the IAC and movement toward general resolution continues. Meanwhile, local-level and sometimes temporary solutions to these issues are being implemented to resolve these problem areas.

ORDEV's role in the Activity is roughly as anticipated. While acting as the conduit for EVS funds, much of the actual implementation of projects is done with the assistance, and some cases control, of the technical directorate in the governorate. For example, the Directorate of Housing handles water projects, Directorate of (governorate) Roads coordinates road projects etc,. Basically this was anticipated, that the technical directorates would provide assistance and guidance to village as the situation dictated.

The first year's AID funds were disbursed as planned, i.e. equal amounts to all governorates and treated as a disbursement. As stated also in this paper future disbursements will be on a need basis. There have been delays in funds advancing from the IAC through the governorates to the markaz to the village. Again procedures are included in this paper to remedy this problem.

In those governorates where the village councils have control over the planning and implementation of projects, the procedures have been followed and anticipated. The village council submits to the markaz a list of projects that the village wants. The markaz consolidates these requests and sends them to the governorate. They in turn approve by priority and availability of funds a comprehensive governorate plan. This plan is approved (in whole or in part) by the IAC. Prior to disbursement of AID funds the GOE puts into special accounts an amount equal to 10% of the AID disbursement for the maintenance and operation of sub-projects.

Upon receipt of the AID funds the village council generally, following GOE contract procedures and as specified in the original Project Paper, advertise for tenders for the implementation of the sub-project. After the legal procedures for receiving and evaluating bids have been complied with, the village council will do one of three things: (1) accept the most attractive offer, (2) taking the contractor's estimates, reject all bids and implement the Activity themselves or (3) negotiate with the most attractive bidder to lower costs by, for example, providing "free" village labor in lieu of the contractor hiring people. The latter option is frequently used with the savings reverting back to the sub-project to increase it's magnitude (e.g., being able to increase the amount of pipe or lengthen a road project).

D. Utilization of the Maintenance Fund

Up to this point little has been expended from the maintenance fund. There are several reasons for this. First, is that few projects are old enough to require large inputs of maintenance. Secondly, by Egyptian Law a contractor is responsible for the maintenance of a project for one year after its completion. (This also makes it difficult to ascertain exact completion dates or terminal dates of disbursements as a percentage of the contractor's fees may be withheld during this period). A prime task of the technical consultant has been to provide a set of guidelines for the use of this fund. The original Project Paper stated that these funds could be used only for the maintenance

of BVS sub-projects. This may not be realistic. The technical consultants have proposed the division of the fund between the village and the maintenance centers located in various districts. In brief, the village would handle simple, routine maintenance with village funds and technicians. At the district level the maintenance centers would be equipped to make major repairs. It has been recommended that each center have a small truck in order to facilitate maintenance visits to the villages. Part of the technical training being coordinated by the technical consultants are (1) simple maintenance for villager level technicians, (2) more advanced training for district and governorate technicians and (3) maintenance management training for district and governorate supervisors.

E. Technical Assistance

The original Project Paper provided funds for technical assistance to the first 9 governorates. Funds are still available from the original Activity to finance technical assistance to the new incoming governorates. It is proposed that the contract of the current technical assistance group be amended to include assistance to any new governorates. There are several justifications for this. The goal and purpose of the Activity will not change as stated above. As the Activity is attempting to reinforce the process of decentralization, it would ensure continuity of this process to utilize the same technical group. Secondly, the present contractors have built-up, and will continue to build, a solid background as to how to best implant in the Governorates, districts and villages the concepts that the Activity is promoting. Thirdly, it would be confusing, at the least, to the Egyptian counter-part agency, ORDEV, and to the Inter Agency Committee, if a second consultant were introduced into the Activity. Fourth, training programs critical to the Activity have been and will continue to be conducted with various ministries, universities and institutes. As the funding for training is channeled through the present technical contract, it would greatly complicate the administration and conduct of training courses. Fifth, a substantial amount of money has been spent by the present contractor on establishing a well equipped office. Their vehicle and logistical support is also sufficient to include the new governorates. Last, but not least, the present contractor has a large staff already on board. It is anticipated that the contractor will only have to add some additional Egyptian professional staff members to adequately cover the new governorates.

III. Anticipated Actions with Additional Funding:

A. Activity Infrastructure:

The addition of \$30,000,000 in FY 1982 will allow additional new governorates to enter the BVS Activity - each with an initial allocation of LE 3,450,000. (equal to each annual allocation already provided each participating governorate beginning with the first PL 480 Title III contribution in FY 1980.) It is expected that the additional governorates will be selected in a priority list from the following:

- | | |
|-------------------|-----------------|
| 1. Beni Suef | 7. Assiut |
| 2. Aswan | 8. Ismailia |
| 3. Gharbia | 9. Matrouh |
| 4. Kafr El Sheikh | 10. North Sinai |
| 5. Dakahlia | 11. New Valley |
| 6. Damietta | |

Unlike the first 9 governorates, the additional governorates will benefit from the experience gained by ORDEV and the IAC during the first two years of the Activity. Also, new governorates will benefit from the advice and assistance that can be offered by the technical consultants.

It can be anticipated that initial Activity requests will follow the pattern of the first 9 governorates - primarily water and roads. However, at least three of the anticipated new governorates have severe ground water problems. We might find that with technical assistance available more projects of this nature may be requested. While it is not the intent to convert the BVS Activity into a regional groundwater project, we should recognize the urgent needs for assistance that selected areas have to prevent the complete or partial destruction of some villages.

It is in the nature of decisions of the types discussed above that make BVS Activity unique - and infinitely more difficult to judge and evaluate. The Activity has the difficult goal and purpose of strengthening - and in many cases initiating - the concept and process of decentralization through the physical construction of "things" i.e. public infrastructure. Given the traditional forms of governments in Egypt during the past centuries it is difficult to meld these two concepts into one

philosophy. It is quite easy for a villager or village executive to receive funds and plan needed projects. It is more difficult to stress the concepts behind the funding - the constraints under which the money can be used - and the ultimate Activity goal. In the short run, the water system, the drainage project, the waiting shed or whatever, seem much more important to all concerned. However, the planting of the seed of local decision-making has been made - it now requires the government of Egypt to nourish and cultivate the emerging results of the Activity through continued budgetary and financial support.

B. Disbursement Procedures:

In FY 1981 AID's initial disbursement totalling \$ 30,000,000 to the Special Account of ORDEV were based on (1) certification of a deposit by the Government of Egypt into a maintenance fund equal to 10% of the AID disbursement and (2) a list of approved projects, by village, for each of the nine governorates. This blanket disbursement procedure was justified on the basis of the original PP authorization and the need to get money up front so that village councils would have assets readily available to implement their projects. However, both the original Project Paper and Grant Agreement made it clear that subsequent disbursements would be based on performance rate of expenditures and rate of sub-project completion.

This Amendment, based on a preceding Implementation Letter within the original Agreement, provides a more precise disbursement mechanism to be in effect by the beginning of the Government of Egypt's Fiscal Year 1982. Each governorate will be advised what their share of money will be - anticipated to be approximately LE 3,450,000 each. After consulting with the markazs' and villages, the governorate will submit to the Inter-Agency Committee (IAC) through ORDEV it's proposed implementation schedule for disbursement purposes for the entire year.

AID, based on the implementation schedule, will release the funds by check through the Special Account to the governorates, who in turn must transfer all funds within two weeks to the village - accessible local accounts. The above schedule will be transmitted to AID by the IAC and contain by governorate, markaz and village the type of project, cost, estimated start-up date and estimated date of completion. This schedule will indicate the need (by amount and date) for disbursement. Since all

disbursements will be dependent upon expenditures and implementation, funds will thus not lie idle in projects which may be behind schedule or which are scheduled for implementation later in the year. It is realized, from the current years experience, that many villages implement projects ahead of schedule. In order not to penalize efficiency, supplementary requests may be made in addition to the initial release. These disbursement requests in fact will be based on existing quantity reporting requirements.

C. Monitoring Procedures

The disbursement procedures rely upon timely monitoring. Assuming a normal implementation schedule, the village local council will keep detailed records of progress in both rate of implementation and rate of expenditure. These must be compiled quarterly and submitted to the ORDEV officials in the governorate who will consolidate the information into a governorate report. The ORDEV central representative for that governorate will ensure that the submission to the IAC and AID is both correct and timely. The IAC will be convened after all quarterlies are submitted to approve the next disbursement and to address any anomalies which might have been reported.

On-site inspection by ORDEV, AID and the T.A. consultant will continue to be an important aspect of Activity monitoring. Given the magnitude of the Activity, it may not be feasible for Activity personnel to visit every site - or to necessarily repeat visits to those Activity sites which are visited. Reliance upon the physical monitoring by village, markaz and governorate personnel will be crucial.

Upon completion of each sub-project, a comprehensive report will be submitted to the IAC through the ORDEV which will provide relevant information, including time requirements and actual costs expenditures for the Activity. Any excess funds, regardless of the reasons, shall be returned to the governorate for reallocation.

IV. Government of Egypt request:

The government of Egypt recognizes the contribution that BVS Activity has made in opening the door of decentralization. Even given the recent Public Laws reforming the traditional centralized form of government, it is doubtful that the initial

financial and technical support could have been provided outside of the foreign assistance sector. Granted there are fairly strict constraints within the AID grant, there would be more constraints to a centralized budget for village infrastructure within the GOE's internal budgetary processes. The initial use of external funding sources should ease the way for the GOE to internally fund projects using the process which will be in place by the end of the Activity. With this in mind the government of Egypt has formally requested the assistance of the Government of the United States to increase and continue the scope of the BVS Activity (Annex G) It can be anticipated that in FY 83 there will be a request for funds to continue the Activity in these additional governorates. (Annex E and Annex F show the funding anticipated).

V. Conditions Precedent:

As in the original agreement the Government of Egypt is required, prior to disbursement of AID funds, to deposit an amount equal to 10% of the portion of the AID grant for sub project construction into a special maintenance fund.

VI. Anticipated Action by the Government of Egypt to continue BVS activities:

Based on present projected levels, funding for the original three governorates will terminate in FY 1982. Based on past implementation rates, it is expected that there will be some carry-over into FY 1983. The second group of six governorates will be funded through FY 1983 with expected spill over in some projects to FY 1984.

Based on the emphasis and priority that the Egyptian government has shown towards the decentralization projects, it is anticipated that the Government of Egypt will continue to emphasize these efforts begun by the Title III and AID grants. This has been discussed with ORDEV officials and will be the topic of future Interagency Committee meeting. However, it should be noted that a continuation of BVS-type funding would probably not be channelled through ORDEV as is the Title III and AID grant money. Rather, we should expect that funding of infrastructure projects to be through the existing Bab III (Section 3) budgetary accounts directly to individual

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governorates. This funding mechanism is in direct conformance to the concepts of decentralization. Furthermore, it is within existing budgetary procedures, thus not imposing or suggesting a funding system alien to current practices.

Current Activity funding has done much to alleviate the most pressing needs in those governorates in BVS now as well as those entering in the future. Therefore, we should expect that the continuation of overall funding levels would be less than is currently provided under Title III and AID. As pointed out above, this is not considered a lessening of the government's interest in promoting decentralization.

Dates of Disbursements to Governorates
1980/81 (As of 01 Nov. 1981)

<u>Governorate</u>	<u>Date</u>	<u>Amount</u> LE	<u>Type</u>
1. Qaliubia	Feb. 1981	1,110,000	Title III
	Apr. 1981	<u>2,297,511</u>	AID
		3,407,511	
2. Menoufia	Feb. 1981	1,110,000	Title III
	Apr. 1981	<u>1,901,000</u>	AID
		3,011,000	
3. Sharkia	Feb. 1981	1,110,000	Title III
	Apr. 1981	1,131,774	AID
	Sep. 1981	1,201,241	AID
	Nov. 1981	<u>6,985</u>	AID
		3,450,000	
4. Beheira	Feb. 1981	1,110,000	Title III
	Apr. 1981	<u>2,340,000</u>	AID
		3,450,000	
5. Giza	Feb. 1981	1,110,000	Title III
	Sep. 1981	<u>2,340,000</u>	AID
		3,450,000	
6. Fayoum	Feb. 1981	1,110,000	Title III
	Apr. 1981	2,309,250	AID
	Sep. 1981	<u>30,750</u>	AID
		3,450,000	
7. Minia	Feb. 1981	1,110,000	Title III
	Apr. 1981	1,838,200	AID
	Sep. 1981	<u>180,000</u>	AID
		3,128,310	
8. Qena	Feb. 1981	1,110,000	Title III
	Apr. 1981	2,184,300	AID
	Sep. 1981	<u>155,700</u>	AID
		3,450,000	
9. Sohag	Feb. 1981	1,110,000	Title III
	Nov. 1981	<u>2,340,000</u>	AID
		3,450,000 <u>1/</u>	

1/ Sohag's funds were frozen during most of 1981

COMPOSITE STATUS REPORT

Data Compiled from Reports of Sep, Oct, Nov, Dec. 1981

GOVERNORATE	LE Received	LE Expended	% Expended	No. Projects	No. Projects on going	No. Projects not started	No. Proj. comple.
			<u>1980</u>				
Sharkia	3,368,000	3,242,652	96	72	42	9	21
Sohag	3,309,000	2,948,000	89	130	10	10	110 ^{4/}
Fayoum	2,988,000	2,450,000	82	82	15	17	50
Sub-Total	9,665,000	8,640,652	89%	284	67	36	181
			<u>1981</u>				
Sharkia	3,450,000	1,120,000	32	183	85	89	9
Sohag ^{1/}	(3,450,000)	N/A	N/A	N/A	N/A	N/A	N/A
Fayoum	3,450,000	1,076,000	31	167	129	30	8
Minia	3,128,000	903,000	28	116	83	19	14
Beheira	3,450,000	1,924,000	56	103	51	10	42
Menoufia	3,011,000	2,332,000	77	86	74	4	8
Giza ^{2/}	3,450,000	415,745	12	66	28	34	4
Qaliubia	3,407,000	641,187	19	216	158	21	37
Qena	3,450,000	1,042,000	30	230	21	185	24
Sub-Total	26,796,000 ^{3/}	9,453,932	35%	1,167	629	392	146

^{1/} Sohag not included as their funds were frozen during 1981

^{2/} Did not receive bulk of funds until September 1981

^{3/} LE 4,000,000 were not released to the governorates by ORDEV until September 1981

^{4/} As mentioned in the Amendment individual sub-projects are being implemented over a a three year period. Thus the first phase of water projects have been completed.

Preliminary Cost Price for BVS Sub-Projects

<u>Sub-Project</u>	Cost for "Big Village" Area - 150,000 m Inhab. 10,000	Costs for "Medium Village" Area - 100,000 m Inhab. 6,000	Costs for "Small Village" Area - 60,000 m Inhab. 2,000
	L.E	L.E	L.E
Water Supply	135,000	115,000	100,000
Sewage Disposal	170,000	120,000	90,000
Lowering of the Water Table 1/	76,000	50,000	35,000

1/ For planning purposes these are acceptable "Averages". However, in ground water projects the variables are such that individual village may vary greatly from the "Average".

SUMMARY OF AMENDED ACTIVITY COST
(In US \$000)

ANNEX D

<u>Input</u>	<u>Contributor</u>			<u>GOE</u>	<u>Activity Total</u>
	<u>Grant</u>	<u>Title III</u>	<u>Total</u>		
Sub-Project Construction	135,000	75,000	210,000	20,000 1)	230,000
Technical Assist/Research	6,400	-	6,400	-	6,400
Training In U.S.	1,000	-	1,000	-	1,000
Training In Country	1,500	-	1,500	3,000	4,500
Maintenance Fund	-	-	-	19,500	19,500
Staff Support ORDEV/ Governorate Village	-	-	-	4,000	4,000
Sub-Total	143,900	75,000	218,900	46,500	265,400
Contingency	500	-	500	-	500
Inflation	600	-	600	-	600
Activity Total	<u>145,000</u>	<u>75,000</u>	<u>220,000</u>	<u>46,500</u>	<u>266,500</u>

1) This figure represents the total for Indirect Sub-Project Cost.

ANNEX D

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SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(In U.S. \$ 000)

ANNEX E

	Original PP			Amendment			Amended Activity Total		
	FX	IC	Total	FX	Lc	Total	FX	Lc	Total
ID									
.- Grant									
a.- Sub-project Const.	-	60,000	60,000	-	75,000	75,000	-	135,000	135,000
b.- Tech. Assist/ Research	3,000	3,100	6,100	-	300	300	3,000	3,400	6,400
c.- Training U.S.	1,425	-	1,425	(425)	-	(425)	1,000	-	1,000
d.- Training-Incountry	-	-	-	-	1,500	1,500	-	1,500	1,500
Sub-Total Grant	4,425	63,100	67,525	(425)	76,800	76,375	4,000	139,900	143,900
a.- Contingency	352	248	600	-	(100)	(100)	352	148	500
f.- Inflation	1,100	775	1,875	(600)	(675)	(1,275)	500	100	600
Total Grant	5,877	64,123	70,000	(1,025)	76,025	75,000	4,852	140,148	145,000
I. Title III									
eg. Sub Project Construction	-	75,000	75,000	-	-	-	-	75,000	75,000 1/
Total AID	5,877	139,123	145,000	(1,025)	76,025	75,000	4,852	215,148	220,000
IOE									
a. Maintenance Fund		6,000	6,000		13,500	13,500		19,500	19,500
b. Indirect Sub-Project Cost		10,000	10,000		10,000	10,000		20,000	20,000
c. Training in-country		3,000	3,000		-	-		3,000	3,000
d. Staff support ORDEV/ Governorate/Village		2,000	2,000		2,000	2,000		4,000	4,000
Total GOE		21,000	21,000		25,500	25,500		46,500	46,500
Activity Total	5,877	160,123	166,000	(1,025)	101,525	100,500	4,852	261,648	266,500

ANNEX E

1/ \$ 150 million per year for 5 years.

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PROJECTED DISBURSEMENT BY CALENDAR YEAR
(In US \$ 000)

ANNEX F

	<u>Through</u> <u>12/31/81</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>Total</u>
<u>AID</u>					
I.- Grant					
a.- Sub-project Construction	30,000	60,000	45,000	1)	135,000
b.- Technical Assistance/Research	1,107	2,193	2,300	800	6,400
c.- Training U.S.	-	100	600	300	1,000
d.- Training In-country	<u>5</u>	<u>627</u>	<u>628</u>	<u>240</u>	<u>1,500</u>
Sub-Total Grant	31,112	62,920	48,528	1,340	143,900
e.- Contingency	-	-	300	300	600
f.- Inflation	<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>	<u>500</u>
Total Grant	<u>31,112</u>	<u>62,920</u>	<u>49,078</u>	<u>1,890</u>	<u>145,000</u>
II. Title III					
a. Sub-Project Construction	<u>30,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>75,000</u>
Total AID	<u>61,112</u>	<u>77,920</u>	<u>64,078</u>	<u>16,890</u>	<u>220,000</u>
<u>GOE</u>					
a.- Maintenance Fund	-	4,000	5,000	10,500 2)	19,500
b.- Indirect Sub-Project Cost	4,000	7,000	7,000	2,000	20,000
c.- Training in country	-	1,000	1,000	1,000	3,000
d.- Staff Support ORLTV/ Governorate/Village	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>250</u>	<u>4,000</u>
Total GOE	<u>5,250</u>	<u>13,250</u>	<u>14,250</u>	<u>13,750</u>	<u>46,500</u>
Activity Total	<u>66,362</u>	<u>91,170</u>	<u>78,328</u>	<u>30,640</u>	<u>266,500</u>

1) An additional \$30.0 million will be needed in this year to cover 11 new Governorates.

2) Of the \$ 10.5 million equivalent \$ 3.5 million will carry over for expenditure in future years.

PROPOSED ALLOCATIONS BY GOVERNORATE BY FISCAL YEAR IN EGYPTIAN POUNDS
(000)

	FY 80 \$ = LE 0.70	FY 81 \$ = LE 0.70	FY 82 \$ = LE 0.84	FY 83 \$ = LE 0.84	FY 84 \$ = LE 0.84
Fayoum	3,450	3,450	3,450		
Sharkia	3,450	3,450	3,450		
Sohag	3,450	3,450	3,450		
Mencufia		3,450	3,450	3,450	
Beheira		3,450	3,450	3,450	
Qaliubia		3,450	3,450	3,450	
Giza		3,450	3,450	3,450	
Minia		3,450	3,450	3,450	
Qena		3,450	3,450	3,450	
Beni Suef			3,450	3,450	3,450
Aswan			3,450	3,450	3,450
Gharbia			3,450	3,450	3,450
Dakahlia			3,450	3,450	3,450
Kafr El Sheikh			3,450	3,450	3,450
Damietta			3,450	3,450	3,450
Assiut			3,450	3,450	3,450
Ismailia			3,450	3,450	3,450
Matrouh			1,450	0,700	3,400
North Sinai			1,450	0,700	3,400
New Valley			1,450	0,700	3,400
Title III	\$ 15 = LE 10.5	\$ 15 = LE 10.5	\$ 15 = LE 12.6	\$ 15 = LE 12.6	\$ 15 = LE 12.6
AID Grant	\$	\$ 30 = LE 21	\$ 60 = LE 50.4	\$ 45 = LE 37.8	\$ 30 = LE 25.2
TOTAL	\$ 15 = LE 10.5	\$ 45 = LE 31.5	\$ 75 = LE 63	\$ 60 = LE 50.4	\$ 45 = LE 37.8
Cumulative Total \$	15,000	60,000	135,000	195,000	240,000
Cumulative Total LE	10,000	42,000	105,000	155,400	193,200

PROJECTED PARTICIPATION OF GOVERNORATES BY FISCAL YEAR
(\$ 000,000)

	FY 80 \$ 1 = LE.70	FY 81 \$ 1 = LE .70	FY 82 \$ 1= LE.84	FY 83 \$ 1= LE.84	FY 84 \$ 1 = LE.84
Fayoum					
Sharkia					
Sohag					
Menoufia					
Beheira					
Qaliubia					
Giza					
Minia					
Qena					
Beni Suef					
Aswan					
Gharbia					
Dakahlia					
Kufr El Sheikh					
Damietta					
Assiut					
Ismailia					
Matrouh					
North Sinai					
New Valley					
Title III	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15 1/
AID Grant		\$ 30	\$ 60	\$ 45	(\$ 30)
TOTAL	\$ 15	\$ 45	\$ 75	\$ 60	\$ 45
Cumulative Totals	\$ 15	\$ 60	\$135	\$195	\$240

An additional sum of \$30,000,000 will be required to fully fund the third year for the last eleven governorates. This will be the final year of Title III disbursements.

ANNEX H



120197

Annex I

Organization for Reconstruction
And Development of The Egyptian Village

December 1, 1981

Mr. Donald S. Brown
Director
USAID
American Embassy
Cairo

DATE TO	2/15/82
SECTION TAKEN	DATE 1/19
INITIALS	

Dear Mr. Brown:

In March 1979, in accord with the Government of Egypt's emphasis on decentralization of administration, the United States Government and the Government of Egypt agreed upon a program under the terms of Title III of Public Law 480 whereby the Government of Egypt agreed to allocate fifteen million dollars in Egyptian pounds each year for five years for the provision of Basic Village Services (rural infrastructure) in certain Governorates.

This original agreement included the three Governorates of Fayoum, Sharkia and Sohag. In August 1980 the Government of Egypt and the United States Government signed a Grant Agreement for \$70,000,000. Of this sum, \$60,000,000 was earmarked for Basic Village Services infrastructure and \$10,000,000 for technical assistance, training and research. New Governorates added were Giza, Beheira, Menoufia, Qaliubia, Minia and Qena.

Both the Title III and AID Grant portions were combined to form one project - the Basic Village Services Project - regardless of the source of funding. It was agreed that each Governorate would prepare a list of services desired by villages in that Governorate and made up from lists submitted by the villages themselves. This list would be reviewed by a Central Interagency Committee established to coordinate the program consisting of representatives from concerned ministries and chaired by ORDEV. Eligible categories of Basic Services were mutually agreed upon by the Committee and AID.

The enthusiasm with which this project was received in the first nine Governorates has led us to request additional assistance of \$75 million to expand the program so that more Governorates, and consequently, more village councils, can benefit. Depending on the amount of additional assistance available, we would like to include the following Governorates in order of priority.



Organization for Reconstruction
And Development of The Egyptian Village

Mr. E. Brown
Page 2

1. Beni Suef
2. Aswan
3. Gharbia
4. Dakahlia
5. Matruh El Sheikh
6. Damietta
7. Assiut
8. Ismailia (rural portion)
9. Marsa Matrouh
10. North Sinai
11. New Valley

The Project will continue to be coordinated by the Interagency Committee and the Project Director will be the Director General of ORDEV who will appoint a number of assistants to coordinate the various project elements. The Governorates will be responsible for the proper execution by the concerned village councils of Basic Village Services sub-projects in their Governorates. In addition, Governorates scheduled to receive allocations for Basic Village Services under the project will first deposit 10% of the total construction costs of their Basic Village Services sub-projects in a fund to be used only for maintenance of Basic Village Services.

In behalf of the Interagency Committee for Basic Village Services, ORDEV requests that the United States Agency for International Development provide assistance to the expanded list of selected rural Governorates in the construction of Basic Village infrastructure and to extend to the nine Governorates technical advisory services and training for appropriate officials at the central, Governorate, Markaz and Village level.

Sincerely yours,


Ahmed El-Distray
Chairman of ORDEV
General Secretariat for
Local Government

ANNEX J

Environmental Analysis-

The environmental analysis of Basic Village Services is contained in Annex VIII of the Project Paper and summarized in pages 39-40.

This analysis was based on the premise of three major categories of rural infrastructure projects: rural roads, water supply and sanitation, and canal maintenance and reconstruction. To date the vast majority of BVS-funded activities fall into these categories. Furthermore, the guidelines for future funding issued by the Interagency Committee and ORDEV insure that these three categories will continue to account for the vast majority of BVS activities. Thus, the environmental analysis incorporated into the Project Paper is still valid for this amendment.

The environmental analysis made two general recommendations that can be summarized as:

- a) The Activity contractor should hire a full-time, resident environmental consultant responsible for environmental components of training programs and to provide technical assistance to local units;
- b) An environmental analysis should be made on each sub-project as appropriate.

The first recommendation cited above has clearly been implemented, and the environmental consultant (Mr. Philips B. Cheney of Chemonics) is currently implementing the second recommendation.

In fact, the environmental consultant has focused attention on the serious problem of high ground-water levels in several Governorates. As a result this focus, the IAC and ORDEV will require that local units installing potable water systems in problem areas also install adequate drainage systems.

In addition, the IAC will require that Governorates where the high ground water problem is critical concentrate their BVS funds on drainage activities.

(The Chemonics environmental recommendations for Basic Village Services are summarized in a memorandum to USAID dated November 30, 1981.)