

XD-AAU-314-B  
47219

ACTIVITY: EGYPT  
 LEAD OFFICE: NE/EI  
 Activity TITLE (maximum 40 characters): Decentralization Support Fund

Activity START DATE COMPLETION DATE (PAGE) ESTABLISHMENT DATE OF OBLIGATION  
 MM DD YY: 1 2 3 1 8 5  
 A. Initial FY: 80 B. Quarter:  C. Final FY: 81

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

A. FUNDING SOURCE	FIRST FY 80			LIFE OF Activity		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
Approved Total	50,000		50,000	100,000		100,000
Grants	50,000		50,000	100,000		100,000
Loans						
TOTALS						

9. SCHEDULE OF AID FUNDING (\$000)

PROJ. ID	PRIMARY PURPOSE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF Activity	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
SA	900	240				50,000		100,000	
TOTALS									

10. FUNDING TECHNICAL CODES (maximum 6 codes of 3 positions each)  
 190 280  
 11. SECONDARY PURPOSE CODE: 910  
 12. AMOUNT: 100,000  
 13. PURPOSE: FART (maximum 40 characters)

To support and accelerate the process of administrative decentralization to rural Governorates by increasing investment budget under their jurisdiction.

HEADLINE EVALUATION:  YES  NO  LOCAL  OTHER (Specify)  
 DATE: MM YY: 11 82

This Amendment adds \$ 50,000,000 to the original Activity in order to meet the needs of the 21 rural Governorates

APPROVED: [Signature]  
 DATE SIGNED: 11 82  
 DATE DOCUMENT RECEIVED IN AIDW, OR FOR AIDW DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

I. Summary and Recommendations

- A. Activity Title: Decentralization Support Fund (Amendment 1)
- B. Activity Number: 263- (Decentralization Sector Support)  
PAAD
- C. Coordinating Agency: Ministry of Investment and International  
Cooperation - Department of Economic  
Cooperation with U.S.A.
- D. Implementing Agency: 21 Rural Governorates and Central Department  
for Local Government - Ministry of Investment  
and International Cooperation
- E. Activity Budget: U.S.\$ 100.0 Million
- F. Life of Activity: 5 Years
- G. Total Activity Costs: U.S.\$ 120.0 Million composed of:  
U.S.\$ 100.0 Million AID Grant Funds  
U.S.\$ 20.0 Million GOE Contribution
- H. Goal: To assist the GOE to achieve its policy objectives in  
economic and administrative decentralization.
- I. Purpose: To support and accelerate the process of administrative  
decentralization to rural governorates by increasing investment  
budgets under their jurisdiction for procurement of capital  
equipment.
- J. Activity Outputs
- (1) Equipment - as determined by governorates to be necessary  
in accord with local priorities - in operation, directly  
providing basic services directly to residents of the  
governorate.
- (2) Administrative planning and management experience gained by  
governorates in developing requirements, budgeting, preparing  
specifications, deploying and maintaining equipment.

K. <u>AID Activity Inputs:</u>	<u>Original PP US \$</u>	<u>Total Amended US \$</u>
(1) U.S. Goods for Governorates	48,730,000	98,700,000
(2) Technical Consulting Services	640,000	440,000
(3) Evaluation	305,000	305,000
(4) Contingencies/Training	<u>325,000</u>	<u>555,000</u>
TOTAL	50,000,000	100,000,000

L. <u>GOE Inputs:</u>	<u>US \$ mil.</u>	<u>US.\$ mil(Equiv.)</u>
(1) Operation and Maintenance Costs	9,674,000	14,643,000
(2) Inflation (LC Services)		3,071,000
(3) 2% for procurement and services rendered by TEC & EGC	180,000	1,786,000
(4) Inland Transportation	<u>146,000</u>	<u>500,000</u>
TOTAL	10,000,000	20,000,000

M. Recommendation:

AID approve an allocation of up to \$50.0 million under the Decentralization Sector Support, of this up to \$1.0 million will be used for local currency costs (i.e., liaison team and contingency funds).

II. Activity Description

A. Activity Background and Problem Statement

The impetus for the Decentralization Support Fund (DSF) came from the convergence of three important trends in Egyptian local government which form the background of the activity and provide, in summary, both a statement of the problem and a description of the opportunity.

The first trend has been a consistent effort on the part of the GOE to decentralize authority. The present local government structure came into being in the late 1960s when the village council was created and endowed with a set of defined responsibilities. Although the grant of authority was minimal, this was at least a beginning which fostered more open discussion of village needs, resources and goals. Encouraged by these developments and pressed for more effective local development, in 1975 the GOE promulgated a revision of the local government structure. Village councils were elected, given more power and their taxing authority was widened. Governors were accorded many of the decisions once made by central ministries; and a new unit, the district or markaz, was created to bring technical services closer to the villages. With the added insight of experience, the GOE re-emphasized decentralization in 1979 local government law revision by strengthening the governorate and expanding village authority in Activity selection, finance and operation under law 50 of 1981. In just over a decade Egyptian local government has become, at least in law, one of the most decentralized systems in the developing world.

The second trend, less positive, has been a decline in capital investment in the rural sector, particularly during the 1960-1975 period. Though investment was relatively stable averaging between LE 52 and 54 million rising demand for food and social services brought about by rapid population growth outpaced investment. Rural areas suffered through a widespread deterioration of small scale infrastructure which has provided a vital link in sustaining economic and social livelihood. Not only did construction dwindle, but maintenance and reconstruction fell off, adding to the decline. In the recent past approved investment budget allocations have averaged about 10 percent of requests submitted by the governorates. In 1978 and 1979 investment level budgets approved for governorates represented only 3 percent of total public sector investment. In 1980 and 1981, however, while requests stayed about the

same, approvals of investment budgets increased to about 30 and then 35 percent, reflecting increasing GOE commitment to decentralization. Despite these increases, however, the estimated shortfall in governorate investment budgets for 1980 totals some LE 500 million, thus indicating a significantly high level of unsatisfied demand for investment budgets in rural governorates.

The third trend has been the gradual growth of local administrative experience. Substantial experience has been gained in many areas of local government administration, but a lack of institutional and personnel capacity remains in critical development roles. Recent field studies in rural areas which touch on local government indicate deficiencies in trained personnel, organizational arrangements and management skills. The need for planning, budgeting and Activity management appear at all levels. A new activity, Decentralization Planning and Management, is designed to support the process which will encourage the introduction of development planning and management systems in local government from village to regional levels.

Although these trends point to problems they underline as well significant opportunities. USAID has a substantial commitment both underway and planned in support of the GOE's policy of decentralization which it believes over time should make substantial contributions to both productivity and equity in Egypt. Projects underway include Development Decentralization I (DDI), and Title III/Basic Village Services (BVS), which aim at strengthening the capacity in governorates and villages to plan, manage; implement and maintain locally chosen income generating and basic infrastructure projects. This activity, the Development Support Fund, is helping accelerate the decentralization process in governorates by increasing the governorate's capital investment budgets - thus addressing concerns outlined in the first two trends discussed above. Training of governorate staff, while not a part of this Activity is an important aspect of the decentralization process and a new Activity, Decentralization Planning and Management, has been submitted. Such training together with a comprehensive decentralization effort in the future of the Decentralization Sector Support.

#### B. Goal

The goal of this Activity is to assist the GOE to achieve its policy objective in economic and administrative decentralization. Such decentralization is premised on the assumption that increased local government responsibility for local development activities will result in a more equitable and self-sustaining development process relevant to both national and local interests.

### C. Purpose

The purpose of the Decentralization Support Fund Activity is to support and accelerate the process of administrative decentralization to rural governorates by increasing investment budgets under their jurisdiction. While under this Activity the most immediate result will be capital equipment, the infusion of the equipment itself and the experience gained through the planning and procurement phases of the Activity should greatly strengthen the decentralization process.

### D. Rationale

The strategy used to gain the purpose rests on the pressing need for equipment at the governorate level to provide essential services to governorate population. The deficit in needed equipment brought about by inadequate investment during the 1960s and 1970s has led to a serious deterioration in many basic services. As a result, the inadequate, or in some cases, the complete lack of vital services (e.g., sanitation, ambulance and firefighting equipment, water systems, etc.) limits opportunities for increased social and economic benefits to the rural population. By making funds for equipment available to governorates, services can be expanded and existing infrastructure better maintained. There is a clear distinction between the BVS Activity and the DSF. In the case of the former, emphasis is on village level systems, i.e., village sanitation, village roads, etc. In the case of the latter, however, the equipment will be used to expand or maintain more complex and generally governorate-wide systems. Linkage between the two will be considered in developing future equipment needs.

The increased resources provided by USAID to the governorates under this Activity should also serve a "pump priming" action which should increase budgetary flows in the future. This will be brought about by two factors; first, because the administrative and technical capabilities in the governorates for handling larger investment levels (i.e., the experience gained by doing) will be demonstrated and, second, because increased resources once available will create a strong, popular demand for their continuation. The Mission is undertaking a budgetary baseline analysis with CAPMAS and will be looking to the presentation of the 1983 Investment Budget to the National Assembly in June 1982.

The Decentralization Support Fund provides a foreign exchange facility through the structure of the GOE budget for governorates to purchase needed capital equipment. Analysis of governorate equipment needs, point to a strong requirement for foreign exchange financing considerably in excess of the funds to be made available under this Activity, likely to be available in the Investment Budget, and that the type of equipment needed lends itself to U.S. procurement under AID Regulation I procedures.

The decentralization process in governorates is new and untested. It appears to have enthusiastic support from President Mubarak, most senior cabinet officials, and the various governors. Procedures and administrative mechanisms remain to be developed and tested and the inevitable tensions arising from the introduction of this new governmental initiative resolved. At present, in this and other similar activities, USAID is at the forefront of the decentralization process and as governmental procedures evolve and are revised, so will it be necessary for the USAID to revise some of its decentralization mechanisms. It is this reason that the Mission has prepared a new sectoral decentralization effort in FY 1982.

E. Activity Outputs, Inputs

This Activity provides foreign exchange financing under AID Regulation I procedures to purchase equipment for rural governorates in order to assist them in expanding and maintaining services and existing infrastructure. It also includes funding for the local hiring of a local technical consultant to assist governorates, the Ministry of Investment and International Cooperation, the Ministry of Planning and USAID in the activity implementation. In addition, funds are included to evaluate activity results. The GOE provides operation and maintenance funding to support the equipment, staff time devoted to the activity on the part of central government ministries and governorates, contract procurement services, and inland transportation to distribute the equipment. Major activity outputs will be varieties of capital equipment (as determined by governorates in accord with local priorities) in operation directly providing services and maintaining infrastructure which supports large elements of the rural population. An additional output will be increased capabilities and experience gained by governorate staff in the planning, procurement and operation of capital equipment, and in utilizing and relating these components to other local-level development activities.

F. Relationship to Development Objectives

1. Relationship to GOE Objectives

The GOE objectives, particularly those concerning decentralization of administrative and governmental authority, are stated in the explanatory memorandum which preceded issuance of the 1981 Local Government Law and its Executive regulations. Among the most important of these are:

- (a) The need to support and develop local government in order to transfer central authority to localities.

(b) The need to support local government units to solve problems locally.

The DSF is in direct support of these objectives.

## 2. Relationship to the Mission CDSS

The 1982 CDSS includes decentralization as a major element of AID strategy in Egypt consistent, as previously noted, with the aims of the GOE. In particular, the CDSS emphasizes that decentralization is aimed "at fostering local administrative initiatives in the interest of greater operational efficiency and at broadening the role and responsibilities of project managers throughout the structure of public sector". It was also pointed out that weak local government has "meant that the people concerned have had little voice in determining what kinds of social and other governmental services are most important to them..." As described earlier, by increasing investment resource flows to the governorates the DSF should foster greater local efficiency and initiative.

## 3. Relationship to USAID Activities

The DSF relates generally to many USAID activities concerned with the process of decentralization. By focusing on the governorate, and building local capacity for administrative and governmental actions, the Activity will contribute to and parallel other activities in support of decentralization as well as such activities as rural health, social welfare, etc. Similarly, as the sub-project encourages local decision making in matters affecting the choice, and the financing of capital/equipment, this experience can be used to underpin human service activities conceived at the local level. This Activity will involve many of the same governorate officials as does the DD I and BVS activities. More specifically, this Activity relates to the following ongoing and planned activities.

- (a) Development Decentralization I
- (b) National Urban Policy Study
- (c) Provincial Cities
- (d) Basic Village Services
- (e) Neighborhood Urban Services
- (f) Basic Education
- (g) Decentralization Planning and Management

#### 4. Relationship to Other Donor Activity

There are at this time no other donor activities in rural areas which would in any way conflict or duplicate activities proposed under this activity. Ongoing activities of major donors impacting on rural areas are very limited in purpose and funding. Unlike the DSF they tend to be site specific, discrete in nature, and limited mainly to technical assistance. Moreover, to our knowledge, none have explicitly linked donor assistance to the decentralization process. The success of this Activity and other AID activities in this area should result in increased donor interest in the process of decentralization.

### III. Activity Analysis

#### A. Implementation Plan

Through experience gained during implementation of the first tranche of DSF (0143), USAID has developed valuable insight into the organization and functioning of rural governorates. Based upon this experience, USAID and the GOE have designed the implementation plan, to the maximum extent, upon existing procedures and organizations.

In the main, Activity implementation is based upon procedures developed under the Commodity Import Program, however, some of the conditions under which the DSF operate differ from those under the CIP. First, the raison d'etre of the CIP is to provide a foreign exchange mechanism for relief of balance of payments problems. In contrast, the DSF, while providing foreign exchange for equipment imports, has as its ultimate objective support of decentralization process. Second, the CIP has been, for the most part, geographically centralized while the DSF has 21 geographically dispersed clients; this brings about a need for coordination and consolidation of requirements. Third, present users of the CIP are by now generally attuned to such processes as requirements analysis, performance specifications, technical specifications and the like. Clients of the DSF had less direct experience with such planning procedures but responded well under the initial tranche. Finally, users of the DSF (governorates) may have greater difficulties in assuring maintenance of equipment.

To accommodate these differences, the following elements have been added to the DSF. First, overall activity management within USAID has been assigned to the Office of Local Administration and Development within the USAID/DRPS. This assignment has been made in order to emphasize the activity's relationship to the decentralization process and to assure that such considerations

as the appropriateness of equipment relative to needs are given full attention. It also permits direct engineering and technical support from DRPS. Secondly, the Ministry of Investment and International Cooperation acts as an overall coordinator of the Activity in such functions as assuring conformance with eligibility criteria, consolidation of requirements and centralized procurement. In developing procedures under the initial tranche, the Ministry of Investment and International Cooperation contracted with two public sector trading companies to provide the following procurement services: receive bids; evaluate bids; recommend awards; sign contracts; open letters of credit; inspect equipment prior to shipment; clear equipment thru customs; deliver equipment to governorates. These services are met from the GOE contribution and have been at a high professional standard. Third, several local consulting engineers have been hired by USAID under the general rubric of a "Technical Liaison Group" to assist governments in the development of equipment lists, outlining performance specifications, monitoring equipment utilization, etc. They have also been instrumental in enabling governorates to devise the requirements analyses system and other Activity safeguards to assure proper utilization and maintenance performance.

Before turning to a description of the sequential steps of Activity implementation it would be useful, to outline major responsibilities of the organizations involved in DSF implementation; i.e., the Ministry of Investment and International Cooperation and the Ministry of Planning, the governorates, and USAID.

(a) Ministry of Investment and International Cooperation - As in the case of the Commodity Import Program, the Ministry of Investment and International Cooperation is responsible for making initial allocations to governorates (with modifications as discussed below), reallocations and further establishment of eligibility criteria for equipment. The Ministry is also responsible for activity evaluation. These functions are carried out by the Department of United States Economic Cooperation. This Department acts as a mechanism for channeling technical assistance to governorates, reviewing governorate equipment submissions for eligibility, arranging whenever possible for consolidating procurement, overseeing actual procurement, and port handling, customs clearance, and internal distribution of the equipment financed under the Activity. To strengthen the capacity of the MOIIC to carry out its responsibilities, AID has financed consultant technical services, in particular, the consulting services (Egyptian senior engineers forming the Technical Liaison Group) are assisting governorates to develop requirements, equipment lists and performance specifications.

(b) Ministry of Planning - The Ministry of Planning is responsible for coordinating the TLG's visits to the Governorates and in advising the Governorates of the nature and purpose of the Activity. In addition, the MOP is responsible for reviewing requirements analyses to assure they are within the framework of the GOE 5-year plan. MOP will also be an active element in the evaluation of the DSF in the future.

(c) Governorates - The governorates are responsible for analyzing their respective capital assistance needs, determining priorities for the investment budget and for development of performance specifications. In developing these specifications, the governorates have had the assistance of the Technical Liaison Group. The governorates also approved technical specifications after being developed by the Technical Liaison Group. In addition, where necessary and at the discretion of the Governors, assistance of the central ministries can be called upon to assist in more complex procurements. It is anticipated, however, that most procurements will be of standard, relatively uncomplicated items of equipment. Following procurement and delivery of equipment, the various governorates will be responsible for its operation and maintenance.

(d) USAID - USAID's role in monitoring and supporting Activity implementation is essentially fourfold. First, it is concerned with Activity implementation within the context of decentralization; i.e., the extent to which the various governorates are progressing in their ability to determine requirements, set priorities, develop specifications, as well as manage, operate and maintain capital equipment. Second, it has reviewed the screening of governorate analyses of requirements, equipment lists and performance specifications by the Ministry of Investment and International Cooperation to assure general appropriateness and conformance with eligibility criteria. Third, it is assisting the Ministry of Investment and International Cooperation in the development of technical specifications and in the bidding and procurement processes. Finally, it works with the Ministry of Investment and International Cooperation in its evaluation of the activity.

These arrangements were confirmed in satisfaction of initial CPs and have proved entirely satisfactory. The Ministry of Investment and International Cooperation confirmed the allocation to Governorates and have completed the process for the first allocations. Governorates have been notified of allocations to their individual

governorate investment budgets. All governorates except the more urban governorates of Cairo, Alexandria, Port Said, Suez and Ismailia are included in the DSF. The 21 governorates included in the DSF each received an initial allocation of \$2.3 million. The USAID and GOE agreed that from a practical and political standpoint initial allocations would be on an equal basis. From USAID's experience under the BVS and DD I Activities, as well as reconnaissance undertaken in development of this Activity, it is clear that this level is well below the potential investment needs of governorates since the shortfall in 1981 between requests and approval in the 21 governorates is on the order of \$500 million. Of this \$500 million, over one-fourth has been identified as a foreign exchange requirement. At the same time the DSF represents a real increase of almost 20% in the investment budgets of the 21 governorates, which should be of sufficient size to have a significant impact on the governorate's services without taxing their capabilities.

The Ministry of Investment and International Cooperation (Department of U.S. Economic Cooperation) and USAID have set eligibility criteria for equipment. In general terms, the equipment must be:

- (1) in general conformance with the 5 Year Plan.
- (2) cost effective and appropriate to its intended use.
- (3) of benefit to a broad segment of the population.
- (4) easily operated and maintained and within the financial capabilities of the governorate to maintain it.
- (5) necessary in relationship to the type and amount of equipment already owned by the governorate.

Restrictions beyond those standard to AID financing are relatively few. Equipment is limited to use by governorates. Public and private sector commercial users are not eligible. (Both already have access to foreign exchange through other mechanisms.) Limitations have also been placed on establishing or increasing force-account capacity of governorates in order to encourage expansion of private sector contractors in these areas. For example, a large grader or dump truck used for road construction is not eligible for Activity funding if it would create or increase the governorates' road building capacity but a small grader or dozer, a 6-ton dump truck, or a small front and end loader with a backhoe attachment to be used for road maintenance is eligible.

While allocations were being made to the governorates and criteria developed, AID contracted for and began to use the Technical Liaison Group (TLG). The MOIIC had submitted a list of generic equipment immediately needed by the governorates. USAID went ahead with the procurement of generic items after extensive consultation with the governorates. The generic items were in real demand and reflect popular problems. The equipment was actually allocated to the governorates based on a subsequent assessment of requirement analyses. Following notification of increases in investment budgets and upon receipt of eligibility criteria, the governorates analyzed their capital assistance needs, and developed requirement lists, performance specifications and technical specifications. The Technical Liaison Group has assisted them in this task, and in particular attempted to ascertain that:

- (1) the type of equipment requested is reasonably suited to the task envisioned.
- (2) the quantity of new equipment requested is reasonable in light of existing equipment inventories.
- (3) performance specifications for new equipment insure its compatibility with existing equipment.
- (4) the cost of the equipment is reasonable in light of its intended use.
- (5) periodic maintenance is possible and probable.
- (6) the equipment meets AID and any GOE commodity eligibility requirements which is established for the Commodity Import Program.

Each governorate submitted the requirement analyses, proposed equipment lists, and performance specifications to MOP/MOIIC and USAID for review. The MOIIC (assisted by the Technical Liaison Group) reviewed performance specifications for equipment to be procured under the Activity. In carrying out this function, the MOIIC confirmed that specifications were appropriate for the use intended. The MOIIC assured to the maximum extent possible, the uniformity and compatibility of equipment procured under the Activity and took into account any special problems of procurement and the cost of the equipment.

Upon receipt of the requirements analysis and performance specifications for equipment requested by the governorates and reviewed/approved by the MOIIC, they were submitted to USAID for final consideration. The USAID then advised the Technical Liaison Group and the governorates, as required, in the development of technical

specifications and bulk procurement packaging. USAID, in coordination with the MOP/MOIC, Technical Liaison Group, and AID/W Office of Commodity Management (SER/COM) developed and refined technical specifications so that they were appropriate for bidding, and ascertained that each IFB issued included as appropriate: (a) sufficient allowance for spare parts (standard spare parts allowance is 20%); (b) provision for familiarization courses (U.S. and/or Egypt) to ensure proper utilization and maintenance of equipment and (c) allowance for special maintenance tools, supplies and training.

SER/COM, after receiving USAID's, the governorates', and the MOIC's concurrence on specifications and terms of the IFB, proceeded with the issuance of the IFB notifications of the procurement in the U.S., and forwarded copies of the IFB to the Egyptian Embassy in Washington, D.C., for distribution to interested U.S. suppliers, as well as to USAID and the governorates.

The MOIC had contracted two public sector companies as part of the GOE contribution, to receive bids in Cairo and open them on bid opening date in the presence of a USAID representative. USAID, after examining proposed awards to ensure that they were in accordance with IFB's terms and conditions, issued a letter of instructions to the purchasing companies (TEC & EGC) regarding AID procedures to be followed in finalizing the purchase contracts and opening letters of credit. TEC and EGC will assure proper handling of equipment once it has been received in country, its passage through customs and its delivery to the governorates. They will also be responsible for preparation of receipt reports and other required documents.

Governorates will be encouraged to fully program their initial allocations, but experience indicates this will likely require some internal shifting of requirements in governorate budgets and possibly some additional retendering before the entire process is fully and institutionally being applied.

## B. Administrative and Technical Analysis

### 1. USAID Capabilities

The USAID Office for Local Administration and Development (LAD) under the Assistant Director for Development Resources and Program Support (DRPS) has been assigned to provide technical assistance to the MOIC and the governorates in the preparation of IFBs and the opening of bids.

In addition, USAID's Office of Local Administration has responsibility for review of governorate requirements analyses, equipment lists, and performance specifications. In the former context, all individual purchases for one governorate for one type of equipment over \$1 million where construction, expansion or alteration of a physical facility is involved, are reviewed by the USAID on the same basis as the activity justification paper is now prepared under the Commodity Import Program. Responsibility for review of technical specifications and liaison with the Ministry of Investment on bidding and procurement is also undertaken by the Office of Local Administration and Development in coordination with the Office of Commodity Management and Trade to insure that there is no duplication of activities. End-use checking is the responsibility of the USAID Controller's Office.

## 2. GOE Capability

The Ministry of Investment and International Cooperation Department of U.S. Economic Cooperation, at the macro level, i.e., making allocations, reallocations, establishing criteria, etc. has extensive experience under the Commodity Import Program and few, if any difficulties should be experienced at this level. The MOIIC has had less direct experience with the bidding and procurement procedures under AID Regulation I. To meet their requirement, contracts were extended to Tractor & Engineering Co and Engineering General Co.

Capabilities at the governorate level varies. Many governorates already experience in Regulation I type procurements through the Commodity Import Program and in the original DSF Activity. Most governorates also have gained experience in establishing requirements and in developing priorities. The very nature of the DSF, however, that of shifting the major responsibility for decisions and planning from the central ministries to the governorates, introduced a new approach to the governorates. In addition, Regulation I introduced new procedures. Therefore, the support of the Technical Liaison Group has been important, particularly in the development of specifications.

Another area of capability that is kept under review is the question of maintenance of equipment. To minimize the problem:

2. The Technical Liaison Group have certified in its submissions of requirements analyses, that maintenance capabilities for given items of equipment are in place or being prepared.

3. Spare parts have been ordered, as appropriate, in the same IFB and bought as part of the same contract as the original equipment.

4. When appropriate, only suppliers having maintenance capability in Egypt will qualify as equipment suppliers.

5. Instructions regarding use of and preventive maintenance on equipment have been ordered in the same IFB and included as part of the contract purchasing the original equipment when appropriate. Operation and maintenance training is required with all equipment ordered.

C. Economic Analysis

(See original PP)

D. Financial Analysis

The Activity will total \$ 120 million of which \$ 20 million will be provided by the Government of Egypt (GOE) as counterpart to the Activity. The Activity funding period extends from December 1980 through 1985. Tables I and II Financial Plan and Projection of Expenditure reflect projected costs by specific inputs, by cost elements and by foreign exchange and local currency. A summary of projected costs by element and source of funding follows:

<u>Activity Element</u>	<u>(U.S. \$000)</u>		
	<u>Projected Costs</u>		
	<u>AID</u>	<u>GOE</u>	<u>Total</u>
Equipment	98,700	18,214	116,914
Contract Services (incl. Eval. & Contingency)	1,300	1,786	3,086
TOTAL	<u>100,000</u>	<u>20,000</u>	<u>120,000</u>

131

As reflected in Table I all foreign exchange requirements of this Activity (\$ 99 million) will be financed by AID. These requirements, which comprise over 99% of the total Activity will be primarily associated with the procurement of equipment for 21 governorates , and the financing of a decentralized evaluation team. An estimated \$995,000 of AID funds will be utilized for local currency expenditures to support the cost of the Technical Liaison Group which will provide in addition to the necessary liaison links among the governorates, the implementing ministry and USAID, the service as a procurement coordinator of GOE's contribution of \$20.0 million, 98% will cover costs associated with the maintenance, operation and in-land transportation of equipment purchased by AID. The remaining 2% in counterpart funds cover costs of salaries for central government as well as governorate's staff members involved in the equipment procurement activity.

An inflation provision was made for GOE local cost services. In addition to inflation a \$555,000 contingency and training fund is allocated to Contract Services element of the Activity. This fund will be used for increasing the scope of the liaison team, and to provide additional assistance to governorates in developing planning capacity and trained technicians.

Details involved in costing Activity elements follow:

1. Equipment

(a) Procurement

For budgeting purposes the equipment element of this Activity has been divided into three categories: heavy, light, and miscellaneous. These three categories comprise the following types of equipments:

Heavy: Graders, Loaders, Bulldozers, etc.

Light: Water, Sewerage Pump and Garbage Trucks, Ambulances, Utility Vehicles, etc.

Miscellaneous: Health and Lab. Equipment, Educational Aids, etc.

Of the \$98.7 million provided by AID under this Activity element, 50%, 35% and 15% have already been allocated for heavy, light and miscellaneous equipment, respectively.

The approximate cost and number of units per category follows:

<u>Category Equipment</u>	<u>Number Of Units</u>	<u>Real Value (in US \$000)</u>	
		<u>Per Unit</u>	<u>Total Units</u>
Heavy	620	\$ 80	\$ 49,600
Light	880	40	35,200
Miscellaneous	Various	Various	13,900
		TOTAL	<u>\$ 98,700</u>

\* Averages are based on equipment prices estimated at 1981 prices.

(b) Maintenance and Operation

Based on analysis performed by the Mission, maintenance and operation costs were estimated to be 10% the first year utilization takes place and 20% thereafter.

(c) Inland Transportation

Inland transportation costs for all equipment has been estimated at LE 500,000. This is covered by the GOE contribution.

2. Contract Services

(a) Liaison Team

This element will provide 240 person months of technical services to the Activity, at an average cost of \$1,500 per person month.

The 240 person months include 3 individuals during the first 14 months of the Activity and 4 individuals during the remaining 46 months, plus specialized - need short term consultants.

The GOE contribution is based on the number and time of personnel allocated by governorates as well as by the central government for the the equipment procurement activity. For each governorate budget estimates are based on 5 positions for three months during each procurement cycle and for the central government are based on the cost of 2 full-time positions for two years.

b. Evaluation

This Activity forms an integral part of USAID's decentralization portfolio. The Mission plans to incorporate the evaluation of DSF within the overall scheme of decentralization evaluation planned by the USAID. However, the Mission intends to undertake a review of budgetary developments with the introduction of the 1982/83 Investment Budget in June 1982. In addition a management assessment of the DSF as a development tool will be developed later this year to measure the impact of equipment utilization.

E. Social Soundness and Beneficiary Analysis

No change  
(See original PP)

F. Covenants and Conditions

1. A condition which requires the GOE to provide equipment eligibility criteria acceptable to USAID.
  - MOIIC has submitted on December 1980 to USAID an acceptable equipment eligibility criteria.
2. A condition which requires that the GOE will channel all Activity funds allocated to the governorates through the national budget.
  - The Technical Liaison Group has determined that the GOE has channeled LE 75,000 to each Governorate in the Investment Budget of 1982. Additional allocation is scheduled to be made in FY-1983 budget.
3. A covenant which will ensure that of resources provided by the GOE will be in the nature of additional budgetary resources, and not replace existing allocations.
  - Resources provided by GOE to the Governorates are additional budgetary support according to MOP letter to the Governorates dated January 1981.
4. A covenant which will ensure adequate maintenance of equipment financed under the Activity.
  - Approximately 20 percent of total equipment value is earmarked to maintenance and operation cost.
5. A covenant obligating the GOE to provide the necessary staff required for Activity execution.
  - The GOE has demonstrated so far, full cooperation in implementing this project in the central ministries as well as the 21 Governorates.
6. A covenant ensuring that environmental factors will be taken into consideration in determining the types and anticipated uses of equipment proceed under the project.
  - The GOE assured USAID that this factor is being taken in consideration in the implementation of this project.

137

7. A covenant ensuring that refunds will be made to the grantee by the governorates where equipment financed under the project is not in accordance with the terms and conditions of the Grant Agreement.

- This was covered in the original Project Agreement signed on September 28, 1980.

ANNEX

Utilization of Funds Within Original Activity

<u>Area of Address</u>	<u>Type of Equipment</u>	<u>Number</u>	<u>Estimated Value</u>	<u>Distribution</u>
Sanitation	Sewage Dumping Trucks	150	\$ 6,000,000	26.4%
	Water Spray Trucks	75	2,625,000	
	Refuse Collection Truck	12	780,000	
	Sewage Pipe Cleaning	6	480,000	
	Misc. and Spare Parts		2,965,000	
			12,850,000	
Earthing Moving & Road Maintenance	Bulldozers	22	3,100,000	34.1%
	Motor Grader	39	2,424,000	
	Dump Trucks	105	4,200,000	
	Loaders	30	1,650,000	
	Road Rollers	15	400,000	
	Granes	10	1,000,000	
	Misc. & Spare Parts		3,832,000	
			16,606,000	
Civil Protection	Fire fighting trucks	85	8,000,000	24.8%
	Fire fighting trucks(heavy)	3	500,000	
	Fire fighting boat	1	200,000	
	Mobile Hospitals	4	600,000	
	Misc. and Spare Parts		2,790,000	
			12,090,000	
Water and Food	Refrigerator Trucks	6	500,000	12.3%
	Water Purification Units	13	1,100,000	
	Water Desalination Units	8	2,000,000	
	Deep Well Pumps	160	1,000,000	
	Misc. equip. & Spare Parts		1,380,000	
			5,980,000	
Misc. & Excess Property	Equipment and		1,204,000	2.4%
	Mobile Workshops			
GRAND TOTAL			\$48,730,000	100.0%

TABLE I

DECENTRALIZED SUPPORT ACTIVITY  
SUMMARY COST ESTIMATE AND FINANCIAL PLAN  
(IN U.S. \$000)

Activity Element	<u>AID</u>		<u>GOE</u>	<u>TOTAL</u>	
	<u>FX</u>	<u>LC</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>
<u>I. Equipment</u>					
Procurement	98,700	---	-----	98,700	----
Maintenance & Operation	----	---	14,643	---	14,643
Inland Transportation	----	---	500	---	500
Inflation(LC Services)	----	---	<u>3,071</u>	---	<u>3,071</u>
<b>TOTAL</b>	<u>98,700</u>	-----	<u>18,214</u>	<u>98,700</u>	<u>18,214</u>
<u>II. Contract Services</u>					
Liaison Team	---	440	---	---	440
Procurement Services (2%)	---	---	1,786	---	1,786
Evaluation	305	---	---	305	---
Contingency/Training	---	<u>555</u>	---	---	<u>555</u>
<b>TOTAL</b>	<u>305</u>	<u>995</u>	<u>1,786</u>	<u>305</u>	<u>2,718</u>
<u>ACTIVITY TOTAL</u>	<u>99,005</u>	<u>995 *</u>	<u>20,000</u>	<u>99,005</u>	<u>20,995</u>

\* Preliminary

TABLE II

DECENTRALIZED SUPPORT ACTIVITY  
ESTIMATED DISBURSEMENT SCHEDULE

Project Element	FISCAL YEAR											
	1981		1982		1983		1984		1985		TOTAL	
	AID	GOE	AID	GOE	AID	GOE	AID	GOE	AID	GOE	AID	GOE
<u>I. Equipment</u>												
U.S. Goods	---	---	26,000	---	27,000	---	25,000	---	20,700	---	98,700	---
Maintenance and Operation	---	---	---	1,575	---	4,625	---	4,320	---	4,123	---	14,643
Inland Transportation	---	---	---	100	---	125	---	135	---	140	---	500
Inflation (LC Services)	---	---	---	<u>353</u>	---	<u>900</u>	---	<u>915</u>	---	<u>903</u>	---	<u>3,071</u>
TOTAL	---	---	<u>26,000</u>	<u>2,028</u>	<u>27,000</u>	<u>5,650</u>	<u>25,000</u>	<u>5,370</u>	<u>20,700</u>	<u>5,166</u>	<u>98,700</u>	<u>18,214</u>
<u>II. Contract Services</u>												
Liaison Team	200	---	240	---	---	---	---	---	---	---	440	---
Procurement Services (2%)	---	---	---	400	---	500	---	440	---	446	---	1,786
Evaluation Contingency/ Training	---	---	---	---	100	---	100	---	105	---	305	---
	<u>25</u>	---	105	---	125	---	150	---	150	---	<u>555</u>	---
TOTAL	<u>225</u>	---	<u>345</u>	<u>400</u>	<u>225</u>	<u>500</u>	<u>250</u>	<u>440</u>	<u>255</u>	<u>446</u>	<u>1,300</u>	<u>1,786</u>
<u>ACTIVITY TOTAL</u>	225	---	26,345	2,428	27,225	6,150	25,250	5,810	20,955	5,612	100,000	20,000

139

\*End of Sept. 1980

DECENTRALIZATION SUPPORT FUND: IMPLEMENTATION SCHEDULE

	CY 1980				CY 1981				CY 1982				CY 1983				CY 1984											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>I. Liaison Team</b>																												
A. Scope of work prepared and approved			xxxx																									
B. Bids received and evaluated				xxxx																								
C. Contract negotiations					xxxxxx																							
D. Contractor mobilization						xxx																						
1. Information & guidelines sent to governorates							xx																					
E. Liaison team in field																												
<b>II. Equipment Procurement</b>																												
A. Equipment lists prepared and approved										xxxxxxxx																		
B. IFBs prepared and issued																												
C. BIDs received and opened																												
D. Awards																												
E. I/Cs opened																												
F. Equipment shipped																												
G. Arrivals																												
H. Distributed to governorates																												
<b>III. Evaluation</b>																												
A. Scope			xx																									
B. Baseline					xxxxxxx																							
C. Special																												
D. EOP Status																												

140

NEAR EAST ADVISORY COMMITTEE MEETING

DATE : February 18, 1982  
TIME : See Agenda  
PLACE: 6439 NS

SUBJECT: PID - Decentralization Planning and Management - 263-0161  
ISSUES PAPER

The Near East Advisory Committee will meet as scheduled above to discuss the subject project and the attached Issues Paper.

Please refer all questions to the Chairperson.

Attachment:  
Issues Paper

DISTRIBUTION:

AA/NE, Ms. W. A. Ford, 6724 NS	<u>Project Review Committee</u>
AA/NE, Mr. B. Langmaid, 6724 NS	NE/TECH/SARD, G. Kerr, Chairperson
AA/NE, Mr. E. Vinson, 6732 NS	NE/TECH/SARD, W. Fox, 5314 NS
AA/NE, Ms. D. Enos, 6728 NS	GC/NE, J. Kessler, 2638 NS
NE/DP, Mr. C. Johnson, 6723 NS (5)	NE/DP, J. Silver, 6723 NS
NE/PD, Mr. S. Taubenblatt, 4720 NS	NE/PD, D. Reese, 4716 NS
NE/PD, Mr. R. Bell, 4720 NS	NE/EI, D. Morrissey, 5318 NS
NE/TECH, Mr. L. Reade, 4443 NS	NE/DP, S. Chernenkoff, 6723 NS
NE/TECH, Mr. A. Wilburn, 4443 NS	PPC/PDPR, G. Hansen, 2675 NS
NE/TECH/SARD, Mr. J. Lewis, 3316 NS	S&T/RAD, P. Demongeot, 508 RPC, SA-18
NE/PD, Mr. L. Rosenberg, 4712 NS	CM/ROD/NE, K. Cunningham, 731A PP, SA-14
NE/PD, Mr. S. Lintner, 4709 NS	
NE/PD, Mr. J. Habron, 4712 NS	
GC/NE, Mr. J. Kessler, 2638 NS	
NE/PD, Ms. G. Shivers, 4709A NS (1)	
A/AID, Mr. M. P. McPherson (Deliver to G. Shivers) (1)	
AAA/PPC/PDPR, (Deliver to G. Shivers) (1)	
PPC/PB, (Deliver to G. Shivers) (2)	
NE/E, Mr. G. Gower, 5318 NS	
PPC/WID, Ms. P. Goddard, 3245 NS	
CM/ROD/NE, Ms. K. Cunningham, 731, SA-14	
AA/PRE, Mr. D. Levintow, 5883 NS	
SER/COM/NE, Mr. R. Looper, 811D, SA-18	
A-AA/S&T, Mr. C. Farrar, 4942 NS	
SAA/S&T, Dr. N. C. Brady, 4942 NS	
S&T/DIU/DI, Mr. B. Ashton, 570, SA-14 (4)	
S&T/IT, Ms. L. Mogannam, 419, SA-8	
NANEAP/PC, Mr. R. Taylor, M-806, 806 Conn. Ave., N.W., WDC 20525	
OPTC/PC, Mr. J. Beauter, M-701, 806 Conn., Ave., N.W., WDC 20525	

UNITED STATES GOVERNMENT

# Memorandum

TO : Near East Advisory Committee

DATE: February 11, 1982

THRU : NE/TECH, Lewis P. Reade *lpr*

FROM : NE/TECH/SARD, Graham B. Kerr, Chairperson *G. Kerr*

SUBJECT: ISSUES PAPER - PID - ~~Decentralization Planning and Management~~ - 263-0161

The PID for Decentralization Planning and Management (263-0161) was discussed at the Project Review Committee on February 5, 1982.

The meeting opened with a discussion (led by Don Brown, Mission Director) of the Decentralization PAAD which has been proposed by the Mission. This discussion is summarized in a separate memorandum. We understand, however, that regardless of the mechanism finally adopted to authorize funds for the Decentralization Sector, projects comprising the package will be reviewed by the Mission and AID/W in the same way as is done at present. PIDs and PPs will be written for projects and subsequent amendments and, as appropriate, will be submitted to AID/W where they will be reviewed by a PRC and NEAC.

The PRC did not raise any issues that require clarification from the Mission prior to the NEAC, but did want the following items discussed by the NEAC so that appropriate guidance can be given to the Mission for developing the project paper.

Item 1: Development of the Planning System in the Governorates and Regions

Though the PID states that the central activity of this project will be the development of governorate planning systems (page 8), the PRC does not feel that enough emphasis is given the process of establishing this system prior to the training of personnel in the basic skills needed to operate the system. The PP team should ensure that adequate time and staff are allocated for the development of the planning and management system in each governorate.

Secondly, care must be taken to ensure that planning in the villages and districts is developed simultaneously with governorate and regional planning bureaucracies. Local planners may find it difficult to fit into an environment dominated by planners from higher levels of government. Once the regional and governorate planners are in place they may resist initiatives from local planners unless the system is developed from the bottom-up. It is also questionable whether consultants can adequately develop the planning system and train staff at all levels unless they have spent considerable time



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

142

working in the villages and districts.

Item 2: Local Planning and Revenue Sources

Planners in villages, districts and governorates cannot achieve the goal of planning to meet local needs unless they have some degree of independence from central Ministries. This requires some latitude in selecting and undertaking projects without approval by higher levels of government. This also means that local revenue sources or "block" grants (such as in BVS) must be available for funding the chosen projects. National control of revenues will preclude effective planning because local governments become heavily involved in developing grantsmanship rather than in meeting local needs and the national government always has control over how funds are spent.

Future funding for local projects (post-AID) and local revenue generation should be addressed in the Decentralization Sector PAAD.

Item 3: The Role of the Saqqara Center

The PID accords a major role to the Saqqara Center of ORDEV. This center, whose construction is just being completed, is a new institution and its role in the decentralization program should be worked out very carefully by the PP team and GOE counterparts, including the Ministry of Planning.

Item 4: Review of Relevant AID Evaluations

Evaluation reports regarding decentralization projects in Indonesia (Oct. '81) and Philippines (Aug. '80) have been reviewed, and we note that concerns regarding central government support for decentralization, institutional development in the governorates and sub-governorates and local participation are being addressed as this project is developed.

143

ENTRY/ENTITY Arab Republic of Egypt

1. PROJECT NUMBER  
 263-0161

EAU/OFFICE  
 A. Symbol NE B. Code 04

2. PROJECT TITLE (maximum 40 characters)  
 Decentralization Planning & Management

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

FUNDING SOURCE		LIFE OF PROJECT
A. AID		20,000
B. Other U.S.	1.	
	2.	
C. Host Country		11,400
D. Other Donor(s)		
TOTAL		32,400

8. PROPOSED BUDGET AID FUNDS (\$000)

PRO- TION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. 1ST FY 82		E. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
SP	280	720		3,521		20,000	
TOTALS							

9. PRIMARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

42	230	220	710
----	-----	-----	-----

10. SECONDARY PURPOSE CODE  
 720

11. LOCAL CONCERNS CODES (maximum 7 codes of 4 positions each)

code	BR	DEL	BU
amount	20,000	10,000	5,000

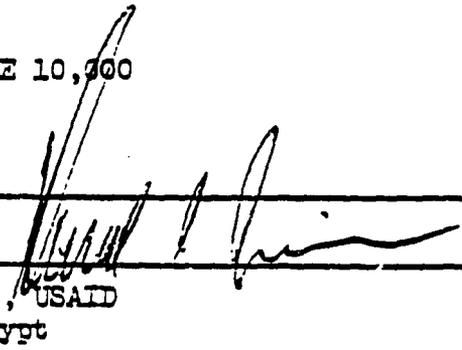
12. OBJECT PURPOSE (maximum 440 characters)

1. To support the process which will encourage the design of development planning and management systems in local government from village to regional levels, in accordance with the Law of Local Government (PL50/1981).
2. To further advance and increase popular participation in planning and implementation of development projects.
3. To better integrate local planning with regional and national planning.

13. RESOURCES REQUIRED FOR PROJECT DEVELOPMENT

- Staff:
- A. 4 person months - IQC or PSC
  - B. 1 person month of Mission Project Officer
- Costs:
- A. \$40,000 LE 10,000
  - B. \_\_\_\_\_

SIGNING OFFICER

Signature: 

Title: Director, USAID Cairo/Egypt

Date Signed: MM DD YY  
 11 25 82

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION  
 MM DD YY

16. DOCUMENT ACTION TAKEN

S = Suspended CA = Conditionally Approved  
 A = Approved DD = Decision Deferred  
 D = Disapproved

17. COMMENTS

19. ACTION REFERENCE

20. ACTION DATE  
 MM DD YY

144

## PROJECT IDENTIFICATION DOCUMENT

### DECENTRALIZATION PLANNING AND MANAGEMENT

(Promotion of Local Government Project)

#### I. OVERVIEW

Egypt is in the process of decentralizing many development related functions to regional planning offices and local government (governorate, markaz and village). The intent is to increase effectiveness and popular participation in planning and implementing local development. The various offices concerned have shown an eagerness to do the work, but have not had the resources to prepare for their new responsibilities.

The Decentralized Planning and Management (DPM) Project addresses this problem. It will provide technical assistance, training and equipment to help local government units and regional planning offices develop their planning management and information systems. It will also provide similar support to the new ORDEV Saqqara Center, building its capacity to assume the technical and specialized training functions of the project as the USAID involvement phases out.

The project will be implemented in three phases over a five year period beginning in 1982. During the first phase (1982-84) technical assistance, training and equipment supply will focus on building the planning system in two regions (including selected governorates, markaz and villages), and developing the capability of the ORDEV's Saqqara Center to provide the technical and training support for building the planning capacity of other regions. The second phase (1984-86) will concentrate on assisting additional regions, governorates, markaz and villages build their planning, project implementation and evaluation capabilities. The Saqqara Center will take the lead in providing technical support and training. External technical assistance will focus on solving problems associated with replicating the models developed during phase I. The third phase (1986-87) of the project will involve continued expansion of Saqqara Center services to the rest of the country. The foreign technical assistance will have been completed

and the USAID participation will concentrate on training support (through Egyptian consultants) and equipment supply.

The cost will be approximately \$31.4 million of which \$20 million will be contributed by AID. For annual and total budget breakdowns, as well as technical assistance, US and Egyptian requirements in numbers and person-months, see V. Cost Estimates, Page 20.

## II. PROJECT DESCRIPTION

### A. The Problem

Over the past decade there has been a steady increase in local government's responsibilities for administrative and development activities. The new laws for local government clearly recognize that many aspects of raising the national product and standard of living are too complex and locally varied to be achieved through central direction and also that centralized planning and management can inhibit local initiatives to solve local problems.

Under the new laws the district and village popular councils are responsible for assessing local needs and for guiding the development of their communities\*. Plans are to be forwarded from the village to the governorate, where the governorate planning agencies, together with the regional planning authority and concerned ministries, coordinate and integrate the sectors into a proposed annual plan and budget. After approval by the governorate popular councils and the Higher Committee for Regional Planning, the plan is forwarded to the Ministry of Planning. The governorate plans are integrated by the Ministry, in consultation with the Secretariat of Local Government and appropriate other ministries. Budget allocations are then made by the ministries to implement the plan. "Monitoring authorities" in the governorates are charged with follow-up and evaluation of the plan and making monthly reports to the governor and the popular council.

During the pilot project, it was found that the responsibilities specified above have not been institutionalized into a functioning planning system\*\*. Although the problem is well recognized there is still no common planning system which defines how the stages of planning are to be executed, how the executive and popular council contributions are to be made and how the planning activities at the various levels - village, markaz, governorate and region - are to be integrated and coordinated within a national planning framework.

---

\*For a description of the responsibilities of the governorate, district, and village executive and popular councils in the planning process, see PL50/1981, Part VII: Chapter 3. (Copy attached).

\*\*Prior to preparation of this PID the Mission sponsored a pilot project (6/80-12/80) to assess the need for this full scale project and clarify the working assumptions to be used.

Experience with the other GOE /USAID decentralization projects indicates that local government has had relatively little experience in identifying local needs, evaluating alternative solutions, or designing, implementing, managing, and maintaining projects. There is, however, a strongly felt need to develop this capacity. During the pilot project that preceded this PID, each participating governorate independently requested assistance in the development of an information system that could be used in local planning. Local government officials (both in the context of the DDI evaluation and the pilot for this project), have expressed the need to plan and integrate local use of USAID's decentralization projects - DDI, BVS, DSF, NUS and Provincial Cities.

The pilot experience also indicated that, although the focus of Egypt's decentralization policy is primarily on local government, regional planning must be involved in order to relate local planning activities to national parameters and priorities; address broader area-based planning concerns; and effectively utilize available planning expertise.

#### B. Project Purpose

The objective of the Local Administration and Development program portfolio, of which this project is a part, is to assist the GOE achieve decentralization and strengthen local government. This is premised on the assumption that the promotion of local government will lead to a more effective and efficient use of resources in solving local problems, thus improving the quality of life of the majority of Egyptians.

The purpose of this project is to help accelerate the process of economic and administrative development by improving project planning and implementation within rural governorates and the economic regions of which they are a part, and by building the institutional capacity to support this effort after USAID participation has phased out of the project. Within this overall purpose, the project has three specific areas of focus.

1. Improvement of local governments' capacity (at governorate, markaz, and village levels) to:
  - identify problems within their localities;
  - sort out those problems amenable to locally managed responses (at appropriate village, markaz or governorate levels);

148

- design and plan specific project responses for the amelioration of those problems; and

- effectively implement those projects so as to achieve the desired result.

2. Improvement of the of regional planning offices' capacity to:

- effectively review the plans of local government in terms of their implications for trans-governorate area development and allocation of resources;

- identify problems of trans-governorate area development and plan appropriate area-based program and project responses; and

- provide information and technical support to governorate level planning staffs for project design and impact evaluation; especially area development efforts.

3. Establishment at the Saqqara Center of:

- technical support capability for regional and local planning;

- training extension capacity to assist local development; and

- an information system that will:

- . improve the information available to decision-makers concerning on-going project monitoring and evaluation; and

- . document the overall evolution and effectiveness of the GOE's decentralization policy.

### C. Strategy

The DPM Project responds to the immediate need to improve the efficiency and appropriateness of planning and management performance. However, the effort is part of a longer term objective to help GOE improve its development effectiveness through evolution of its decentralization policy. Such changes are expected to be necessary in order to improve the functional effectiveness of local

government within the national system. This project should be viewed strategically as an element in that process. Some of the capabilities to be established and activities carried out during the implementation of this project are directly related to expected requirements of the next phase (e.g., the establishment of an information system for monitoring and evaluating decentralized development).

The proposed project addresses three interrelated needs identified through the Pilot Project:

- improvement of planning, and management systems which relate development strategies to resources, functions and outputs;
- improvement of management and administrative capacity to maintain systems through organizations once those systems are developed and installed; and
- improvement of the skills among individuals necessary to perform required tasks within organizations.

The scope of the project as described above is, however, limited to the following:

- sub-national levels (i.e., region, governorate, markaz, and village);
- program and project planning, implementation, monitoring and evaluation; and
- improvement of management and administrative efficiency insofar as it directly or indirectly relates to the points noted above.

The project strategy emphasizes the need to develop a system within which planning and implementation skills can be effectively applied. In this respect, the strategy integrates system development with organization support and skills development. The methods to be used will rely primarily on technical assistance provided by continuous interaction between consultants and GOE officials through an effective counterpart structure.

The monitoring and evaluation process will provide an on-going review of the overall change process. Thus, the strategy is a learning process for capacity building.

The primary focus of the project effort will be at the Governorate level. Initially the effort will be concentrated on developing

planning and implementation capabilities within the present overall GOE planning and budgetary process, but it will move on developing local government capabilities to plan and implement longer-term, area-based strategies for development. The monitoring and evaluation aspect of the project will provide the means for on-going review of planning and implementation effectiveness as well as a preliminary data base for evaluating decentralization policies and performance.

#### D. Project Activity

This project provides financing for long and short term technical assistance by both foreign and Egyptian consultants to help the GOE in building planning, project implementation, and monitoring/evaluation systems and in the identification of currently existing and/or design of new in-country and out-of-country training programs. It also includes funding for in-country and out-of-country training of local and regional officials through formal courses, problem-identification seminars, action-oriented workshops, on-the-job training and foreign observation tours; establishment, including, in some cases, construction, of training and information systems centers at regional and governorate levels; and on-going, interim and final evaluation of project results. In addition, it will provide foreign exchange financing under AID Regulation I procedures to purchase small amounts of equipment (primarily appropriate information system technologies) for regional and local GOE agencies (including popular councils) to assist them in the establishment and maintenance of planning and management functions. The GOE will provide operation and maintenance funding to support the equipment and staff time devoted to the project on the part of the GOE at all levels.

Major project outputs will be:

- Diagnostic analyses (planning and management audits) of local government development planning, project design and implementation, and administrative support capacities to be used as a basis for formulating comprehensive planning and management improvement programs in each participating governorates;
- Diagnostic analyses of strategic planning issues including area development constraints and opportunities.
- Operational work programs for building up local government planning and management capabilities

- Workshops and technical skill training programs for planning and management for local executive, popular council, and regional planning staff;
- Governorate planning and information centers which: manage and make available information for planning and project implementation from local, regional and central sources; coordinate the utilization of external (to the governorate) expertise for planning and implementation; and provide on-going, on-the-job consultation and training to executive and popular council staff in planning and management;
- Monitoring system (located at the Saqqara Center) to review the requirements for, and subsequent impact of effective local government planning and management performance and decentralization policies;
- Occasional colloquia for members of national and regional level supreme councils to review broad-based issues of implementing decentralization policies;
- Out-of-country training and professional study tours to expose local government personnel to current examples of modern planning and management applications of area-based development.

The principal end of project status will be a substantial improvement in the quality and development impact of projects planned and implemented at the local level. Indicators of the achievement of the end of project status include:

- The capacity of local executive staff, working with regional planners, to disaggregate planning and management functions and to allocate responsibilities based upon the most effective ways of achieving particular development objectives;
- Increased emphasis on area based development;
- Capacity of local and regional planners and managers to maintain systems as well as effect modifications as necessary to achieve development objectives.

The central activity of this project is the design and establishment in each participating governorate of a development planning system. This will involve the regular participation of the governor and

chairman of the governorate popular council, their respective committees, and their staffs, and the project technical advisors. Popular council members and executives will be involved in similar design work in the districts and villages. The designs will be based upon their area development strategies, their identification of local development problems, their diagnoses, their identification of alternative solutions and their selection of the one they wish to implement.

Ideally, each governorate will increasingly analyze its own planning needs and its own response. These processes should be reviewed annually and adjusted to meet new conditions incorporating the lessons of experience.

A similar institution development approach will be used with the Higher Council for Regional Planning and its staff office, the Regional Planning Office. At present these offices are short handed and will require considerable staff development as they assume their responsibilities as regional planning coordinators, technical assistants to the governorates, and representatives of central planners to the region and of the region to the central ministries. The Saqqara Center, with TA from the project, will play a major role in organizing the RPO staff training.

Workshops and on-the-job training will be the primary mechanisms for determining local needs and developing skills. They will be held in each markaz (averaging 8 per governorate) and then in the village units (3-4 per markaz). The training at the markaz and village levels will be done by the governorate staff who will be trained by the consultant/Saqqara Center team and Saqqara Center staff.

Long-term training requirements for governorate and regional, and Saqqara Center staff will be determined by the consultants and representatives of the governorates, regions and Saqqara Center. Areas considered will include regional development strategy and planning; project identification, planning, implementation, monitoring and evaluation; and management and information systems. Trainees will only be sent to appropriate institutions abroad when training is not available in Egypt.

The project will be implemented in three governorates (two development regions) during the first year and will be expanded to include an additional three governorates and additional regions during the second year. The rate at which new governorates would be included each year thereafter will be based on an assessment of experience during the first two years, although by the end of Phase II, four years after commencement, it is hoped that 2/3 of all

governorates in Egypt will be participating. The first year's work in each governorate will concentrate upon development strategy, planning system design, general planning skills, and development of the information system. The second and third years will focus on relaying the planning skills to lower levels of government, project identification, implementation management, monitoring and evaluation, with appropriate adjustments being made in the overall planning system, based upon improved skills and experience.

As development projects are identified and approved a small number will be selected as case studies for training in project management. These will be funded through existing USAID projects or directly by the GOE. Appropriate ministries will be involved in their implementation so that management techniques can be developed.

A sectoral steering committee dealing with all GOE/USAID decentralization projects will meet periodically to review the project and provide policy guidance to the Egyptian project leader and the TA team's Chief of Party. The committee will include a USAID representative from the DRPS/LAD office.

An external project evaluation will be conducted after the first eighteen months, and annually thereafter.

#### E. Project Management Structure

There are several potential GOE clients with important interests and/or roles in the proposed project. For simplicity and efficiency, however, implementation of local government planning and management will be handled through the governorates and regional planning will be organized through the regional planning offices.

In addition to the primary implementation agencies specified above, the Saqqara Center in Saqqara will serve as the GOE organizational support base for continuing the project beyond Phase I through Phases II and III to self-sustaining capability within the GOE. The selection of the Saqqara Center for this responsibility is based on USAID's expectation that it will expand its mandate by becoming a semi-autonomous institution under the general auspices of the Secretariat of Local Government. With that in mind, the resident technical assistance team will provide its consulting services to local governments and regional planning offices, and the GOE agency responsible for the design, establishment through the Center.

For the first two years (Phase I), a resident consulting team of six foreign and 10 Egyptians will assist:

- the primary GOE implementation agencies to improve their performance capacity;

-the Saqqara Center in developing its capacity to provide technical support assistance on a self-sustained basis to the implementation agencies following the termination of the external consulting teams services;

The Project Office will be located at the Saqqara Center and four of the foreign and four of the Egyptian consultants will be located there. The other two foreign and -- eventually -- six Egyptian consultants will be located in the field (in some cases within regional planning offices; in other cases at the governorate level); and

Each of the four foreign consultants will have a full-time counterpart from the Saqqara Center staff and as a consulting team-- they will provide consultant services to designated clients within the GOE implementation agencies.

The six foreign consultants will have the following qualifications and responsibilities:

Chief-of-Party: A senior planning and management systems consultant resident in Cairo will be assigned on a long term basis as Chief of Party with responsibility for providing comprehensive strategic conceptual direction to all consultants; coordinating their individual and collective efforts in a mutually complementary and reinforcing manner. The Chief of Party's counterpart will be the Head of the Saqqara Center.

Training Specialist. A full time consultant resident in Cairo will serve as a consultant to the TA team and collaborating GOE officials on:

- identification of appropriate existing training programs both in Egypt and in other countries,
- design of new formal training programs (process and content),
- development of formal training skills (training of trainers), and
- development of on-the-job consultation skills.

Infrastructure Planning and Project Implementation Consultant (resident in Cairo) to be assigned on a long-term basis to a counterpart within the Saqqara Center. Jointly they will be

153

responsible for assisting the Saqqara Center in developing its capacity to provide technical extension support service to local government planning units. The consultant and GOE counterpart will be providing overall strategic guidance to the long term resident consultants in the various governorates; assuring complementarity of approach while allowing for adaptive variation in practice. The consultant will also be responsible to the Chief of Party for integrating long and short term technical assistance into the comprehensive project effort.

Area Planning Consultant (resident in Cairo) to be assigned on a long term basis to a counterpart within the Saqqara Center. Together they will be responsible for assisting the office of Regional Planning, Ministry of Planning. The consultant will be responsible to the Chief of Party for integrating the project's TA on regional development strategy and planning into a comprehensive project effort.

Rural Development Planning Consultants (two) will be assigned on a long-term basis; one to Qaliubia Governorate and the other to Assiut Region. However, although one of those two consultants will be assigned to a regional office, both will have a GOE counterpart who is the head of the project secretariat at the governorate level. Placement of the consultant in the governorate's project secretariat is important because of the central role to be performed by that office in coordinating the planning of cross-sectoral projects and monitoring of implementation.

The qualifications and responsibilities of the ten Egyptian consultants will be defined in the design process of moving from this PID to the PP. Additional short term technical assistance needs will be determined through client needs assessments during implementation.

By year four, the foreign technical assistance team will have condensed into three persons and will be totally replaced in Phase III by a growing number of Egyptian technicians, both long and short-term by year five.

F. Expected Achievements/Accomplishments:

When completed the project is expected to accomplish the following:

-An institutionalized self-sustaining, participatory process for local development planning will exist in each of the units of local government that participates in the project.

- Within each local government unit, tasks and responsibilities in planning and implementation will have been operationally defined and the individual and team skills necessary for their fulfillment will exist.
- Development planning offices in the regions, governorates, districts and village units will be operating with staff and budgets supplied by the GOE.
- Mutually complementary linkages will have been established between planning efforts at all levels.
- Each government unit will have a development information system that collects, processes and analyses information that the unit needs for development planning and management. These centers will enable the GOE to monitor their entire program to support local government.
- The supporting functions of the organizations specified in the local government laws, such as the Supreme Council for Local Government, the Higher Committees for Regional Planning (in each region), the Secretariat of Local Government, the Ministry of Planning, the Organization for the Reconstruction and Development of Egyptian Villages(ORDEV), and CAPMAS, will be established and operational.
- The linking role envisaged for the regional planning offices will be fully developed. These offices will be representing local and regional interests with central ministries, assisting the higher committee for regional planning coordinate the governorate plans, and ensuring that national and regional concerns are taken into account in local plans.
- Selected development projects will be implemented to illustrate the utility of the planning process. They will also be used to develop management techniques and as training models.
- Experience from this project will be reflected in further changes in local development law which will enhance participation, planning, and management of Egypt's development.
- Evaluation studies of the project's impact will have tested the assumption that promoting local government enhances the quality of life of the majority of the people.

-Governorates and markaz will have plans that integrate their own and USAID decentralization projects.

85

### III. PROGRAM FACTORS

#### A. Relationship to Government of Egypt Programs

The project is consistent with, and supportive of, GOE policy and programs. GOE legislation starting with Public Law 124 of 1960 and running through PL 50 of 1981 provides the legal context for this project and creates the need for enhanced development planning and management capability at the local, governorate and regional levels. These laws indicate the commitment of the Government of Egypt to expand the role of local government and involve elected councilors and local executives in decisions at all levels of government. The laws stress the need to strengthen local government so that authority to solve local development problems can be transferred from central to local units. This is being done to achieve greater effectiveness in the assessment of development problems and the use of development resources.

The project supports the GOE's decentralization program by strengthening local participation in the planning and management of development projects, and building planning capability in local governorates and at regional levels.

#### B. Relationship to Country Development Strategy Statement(CDSS)

The CDSS (FY83) contains the following on page 59:

"The central management concerns in all social sectors relate to overcentralization of the planning, design and delivery of social services. [The Program Strategy] is to support and accelerate GOE efforts to decentralize both the technical and financial management of service delivery".

The purpose of this project is to assist the GOE to reduce centralization by increasing planning and management capacity and local participation in development decisions at the lower levels of the government hierarchy.

The project strategy is consistent with the USAID program strategy and represents a key element of the program.

#### IV. FACTORS AFFECTING PROJECT DEVELOPMENT

##### A. Social Considerations

1. The social and political climate: Promotion of local government and decentralization.

This project responds directly to GOE policies aimed at decentralizing its administration of development and to GOE requests for specific public administration assistance for local government, as outlined in the first sections of this PID. During a speech to the governors in October, 1981, President Mubarak said that governors should assume their vital role in administering local government and shoulder full responsibility in their respective governorates so as not to refer to central government unless there is a crucial need to do so.

Also the implementation of DDI, DSF, BVS, and NUS, has provided governors, and local council chairmen, with specific examples of resources that are available through decentralized channels. Discussions during the DDI evaluation and the pilot project indicate that they are increasingly interested in finding out how to plan for and use these resources more effectively and efficiently.

2. Beneficiaries and Participation.

The immediate beneficiaries of this project will be the various planning staffs and local councillors who are formally trained and/or receive on-the-job assistance.

The project strategy, however, makes benefits available to a much larger population. The project will make the application of development resources available at points closer to the majority of Egyptians as has already happened with BVS and DDI. The project will also increase the ability of village and district representatives and executives to influence how the resources are used. Planning and management training will be given to village and district council members. The project is based on the assumption that promoting local development will improve the quality of life of the general citizenry.

The project is consistent with AID's participation policy and concern to place resources close to the majority of the people. It is a direct applied resource transfer of methodologies and know-how, adapted to fit local conditions. During the pilot project people from all levels of government and elected councils were involved in

the needs assessment and planning workshops that shaped the design of this project

B. Economic considerations.

The investment of dollars in this project represents about 5% of USAID's contribution to promoting local government, and a much smaller percentage of the GOE's investment. A direct impact of this project will be an improvement in the use of the \$460 million in the decentralization portfolio, which represents approximately 10% of AID's present contribution to the economic development of Egypt. The project supplies planning and management resources needed to tie the portfolio together in the regions and governorates. Relatively small increases in efficiency and effectiveness in other areas of decentralization, brought about by better planning and management, will very quickly pay for this entire activity. This project will increase the probability that the overall goals of the program portfolio will be achieved.

C. Experience with other projects.

USAID has substantial project experience promoting local government -- approximately \$460 million. Three projects (NUS, DSF, and Provincial Cities) are in the early stages of implementation. NUS and Provincial Cities involve urban areas directly. It will be sometime before we have the depth of urban experience that we have gained in the rural areas with DDI and BVS, over the past two years. Many aspects of the NUS pilot activities, however, have been very encouraging, and DSF equipment procurement has involved governorate staff much more deeply than anticipated.

DDI and BVS are sending resources directly to village units. Interim results, recorded during recent evaluations of DDI and BVS are very encouraging. "BVS continues to make progress. The projects being implemented are appropriate to the needs of the rural population and impact directly on a large number of people." It was recommended that more local people be involved in project selection and not just in implementation -- the proposed planning and management project will address this issue.

The DDI evaluation team found a successfully established LDF, a good training program, and a high proportion of viable village enterprises which are likely to provide profits for the special village accounts. The team suggested that attention be given to maintaining and building upon the progress already made and that ORDEV consider decentralizing the operations of the LDF -- the proposed planning and management project would help ORDEV with this task.

161

D. Participating Country Agencies.

The Supreme Council for Local Government.  
The Ministry of Economy  
The Secretariat of Local Government.  
The Ministry of Planning.

The Office for Regional Planning  
The Institute of National Planning

The Governorate and Local Administrations and  
Popular Councils  
The Organization for the Reconstruction and Development  
of Egyptian Villages(ORDEV), and its Saqqara Academy.

The relationships and functions of these organizations are described briefly in earlier parts of this PID.

E. AID Support Requirements and Capability.

The project will require a full-time project officer who has: a strong background in planning and management in developing countries; extensive experience in coordinating recipient institutions and AID consultants in the same project; strong background in information systems and evaluation. She/he should be assigned for at least four years.

The project will also require the full-time services of an Egyptian project officer who has a strong background in economic planning and management, and has had experience dealing with local development-related organizations.

G. Design Schedule.

During December, 1981, the results and recommendations of the team that implemented the pilot project were compiled in report form. This material will serve as the basis for the project paper.

Four person months, are required for pilot project review and drafting project paper, during February and March, 1982. These services should be secured by IQC or PSC.

The project paper will be completed in April 1982, following the arrival of the project officer. It is planned to send the PP to AID/W by early May, 1982.

162

## H. Environmental Impact

There are no environmental effects and a negative determination is recommended.

## I. Issues.

### 1. Length of project and funding sources.

It is anticipated that within the five year life of this project it can be expanded to all Governorates, and that AID will support the technical assistance team and other project activities during this period. During these same years, however, it is anticipated that the GOE will gradually assume a larger proportion of the costs of supporting planning in the regions and governorates so that by the sixth year it will have assumed all the costs of the project activities.

### 2. Coordination of the USAID decentralization portfolio.

This will be accomplished in the following ways. Over the next two months an umbrella project paper dealing with the entire decentralization package will be written by the Mission. It will provide coordinating mechanisms for management of the portfolio. Functions common to two or more projects, will be coordinated by an inter-project committee. Training, for example, will be handled by a "Training Committee" formed from the training officers, training consultants and USAID project officers from each project. This will facilitate coordination of the new dimension of training for development planning at the governorate and regional levels with the emphasis of the current training on project planning and management and sub-governorate planning.

163

V. Cost Estimates: (000s)

	PROJECT YEAR				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	<u>Phase I</u>		<u>Phase II</u>		<u>Phase III</u>
Number of Participating Governorates	3	6	12	19	26
<b>A. <u>Technical Assistance</u></b>					
1. Long term advisors					
a. Expatriate	\$1,050	1,050	895	525	
(number)	(6)	(6)	(5)	(3)	(-)
b. Egyptian*	200	200	200	200	200
(number)	(10)	(10)	(10)	(10)	(10)
2. Short term consultants					
a. Expatriate	420	630	630	420	-
(months)	(24)	(36)	(36)	(24)	(-)
b. Egyptian*	51	101	126	126	126
(months)	(24)	(48)	(60)	(60)	(60)
<b>B. <u>Training</u></b>					
1. Workshops/seminars*	200	350	500	500	500
(number)					
2. Long term training					
a. Domestic*	60	100	100	100	100
(number)	(12)	(20)	(20)	(20)	(20)
b. Foreign	250	500	500	500	500
(number)	(10)	(20)	(20)	(20)	(20)
3. Study Tours	100	100	100	100	100
<b>C. <u>Equipment</u></b>					
1. Governorates	240	240	480	560	560
2. Central and Regional Offices	400	240	480	560	560
3. ORDEV Saqqara Center	500	300	200	100	100
<b>D. <u>Evaluation</u></b>					
	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
Annual Totals	\$3,521	3,861	4,261	3,741	2,796
Total line items	18,180				
Contingency @10%	<u>1,820</u>				
USAID project contribution	\$20,000				

\* Expenditures to be paid in Egyptian Pounds (approximately 22% of total)

164

E. GOE Contribution

		PROJECT YEAR				
		<sup>1</sup>	<sup>2</sup>	<sup>3</sup>	<sup>4</sup>	<sup>5</sup>
1. Saqqara Center	LE 300	350	400	450	500	
2. Budget support for planning offices	300	600	1,200	1,900	2,600	
Annual Totals	LE 600	950	1,600	2,350	3,100	

Total Line Items           LE 8,600  
Contingency @ 10%         860  
GOE Project contribution   LE 9,460

Equivalent to               \$ 11,400

165

use of available resources to meet the people's needs and to achieve social and economic development.

ARTICLE 118:-

Each Governorate shall inform Local Units within it with the general policy guidelines and the framework of the State's development plan.

Local Units shall determine their needs according to carefully examined priorities, to be incorporated and coordinated in a proposed local plan, to be approved by the concerned Local People's Council and conveyed to the Governorate Local People's Council five months prior to the beginning of the fiscal year.

The Governorate's planning agencies together with the Regional Planning Authority and the concerned Ministries shall study the proposed plans submitted by Local People's Councils within each Governorate. Coordination and integration shall take place between various sectors in the Governorate in preparation of the proposed annual plan and the proposed annual budget to be submitted to the Governorate Local People's Council and the Higher Committee of Regional Planning for approval, at least four months prior to the beginning of the fiscal year.

After approval by the Governorate Local People's Councils and Higher Committees of Regional Planning, the proposed plans of Governorates shall be submitted to the Minister of Planning who shall link and coordinate these plans with the State's general plan, in consultation with the Minister in charge of Local Government and the concerned Ministers, for the achievement of balanced growth according to the overall development plan.

Chapter Three  
Planning & Financial Affairs of  
Local Government Units.

ATTACHMENT  
Public Law 50/1981  
(Egypt)

Section One  
Planning

ARTICLE 115:-

Local Units should not commit themselves to any economic, social or physical development projects or activities, which their finance or implementation are in contradiction with the State's general plan or the Regional Plan.

Local Units should not commit themselves to any joint investment projects with Arab or foreign capital, without the approval of the concerned planning agencies and the General Authority for Investment and Free Zones.

ARTICLE 116:-

Local People's Councils are responsible for the comprehensive development of local communities based on the resources and potentials of local communities. They are also responsible for identifying investment opportunities within their Units and for incorporating within their local plans effective allocation of resources to the needs according to actual priorities.

ARTICLE 117:-

Local planning agencies shall assist the High Committees of Regional Planning, the Regional Planning Authorities and the Local People's Councils in planning with the objective of achieving effective

Each governorate shall undertake, within its boundaries, the implementation of the approved local plan according to the specified timetable. Monitoring authorities in the Governorate shall undertake the follow-up and evaluation of this plan and shall submit monthly reports to the Governorate Local People's Council and to the Governor, according to the rules set up by the Executive Regulations.

PROJECT IMPLEMENTATION DOCUMENT

LOGICAL FRAMEWORK

Project Title and Number: Decentralization Planning  
and Management - 263-0161

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICES</u>	<u>MEANS OF VERIFICATION</u>	<u>IMPORTANT ASSUMPTIONS</u>
<u>Program Goal</u>  Assist the GOE raise the quality of life by expanding participation in development decisions in local government in accord with Public Law 50/1981.	<u>Measures of goal achievement</u>  1. Increased income, health, access to resources, etc. in areas where project implemented.  2. Increased proportion of development projects deriving from decisions made within local government units, with direct participation of elected representatives and executives.	  1. Regular external evaluations.  2. CAPMAS publications about the Governorates.	  1. There is a causal link between increased participation/decision-making and increased quality of life.  2/ GOE will continue to promote local government through decentralization.
<u>Project Purposes</u>  1. To support process which will design planning and management systems for local government from village to region.  2. To integrate local government planning into national and regional guidelines.  3. Develop GOE institution capability to continue support project activity after USAID support phased out.	<u>Conditions indicating purpose achieved: End-of-Project status</u>  1. Designs for planning and management implemented.  2. Process of development involves executives and representatives from all levels of government.  3. Plans and planning process reflect national and regional concerns.  4. Management information systems designed and implemented.	  1. Information system established by the project.  2. Project records  3. Regular external evaluations	  1. Executives and representatives will participate in process to develop systems.  2. They will accept responsibilities accorded them in PL50/1981.  3. Central organizations will join the project and delegate authority.

1/6/81

PROJECT IMPLEMENTATION DOCUMENT

LOGICAL FRAMEWORK (Cont'd)

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICES</u>	<u>MEANS OF VERIFICATION</u>	<u>IMPORTANT ASSUMPTIONS</u>
<u>Outputs</u>	<u>Size of Outputs</u>		<u>For achieving Inputs and Outputs</u>
1. Workshops in Cairo, governorates, districts and villages.	(Estimates)	1. External evaluations	1. GOE will provide appropriate staff and budget appropriations.
2. Months of on-the-job training (Consultation) in Egypt	a. 24 Cairo/Regional Workshops	2. Project records	2. Appropriate technical assistance can be identified and hired for project.
3. Long term training in Egypt and in United States.	b. 104 Governorate Workshops	3. Information system reports	3. USAID funds will be provided.
4. Observation tours in Egypt and Overseas.	c. 208 District/Village Workshops	4. Regional, governorate, district and village planning records	
5. Planning and management systems installed.	d. xxx person years on-the-job training		
6. Information systems installed.	e. 90 person years long term academic training in U.S.	1. 52 governorate projects implemented	
7. Development projects implemented.	f. 92 person years in Egypt	j. 104 village projects	
8. Diagnostic analyses of the Local government planning capacity.	g. 26 governorate planning and management and information systems installed.	k. 15 observation tours	
9. Evaluation reports.	h. 16 regional projects implemented.	1. 5 evaluation reports	
<u>Inputs</u>	<u>Estimates</u>		
1. Technical assistance from GOE & US	6 consultants from U.S. (long-term)		US\$ 20 million
2. Appropriate staff from GOE	10 " " Egypt (long-term)		LE 9.5 million
	xxx Planning staff in regions, governorates		
	10 person years of expatriate short term consulting		
	21 person years of Egyptian short term consulting		

1/20

UNCLASSIFIED  
Department of State

OUTGOING  
TELEGRAM

PAGE 01 STATE 050137 0381 027374 AID0343  
ORIGIN AID-35

STATE 050137 0381 027374 AID0343  
MINISTRIES RESULT IN REDUCED CENTRAL STAFFS?

ORIGIN OFFICE NEIC-04  
INFO NEPD-04 AANE-01 NEDP-02 NEEI-03 PPCE-01 POPR-01 PPPB-03  
GC-01 GCFL-01 GCNE-01 FM-02 RELO-01 MAST-01 3H-00  
/026 AB  
INFO OCT-00 EB-02 NEA-07 /050 R

C) PROJECT TIMING:

THE NEAC IS CONCERNED THAT INSUFFICIENT TIME IS BEING GIVEN TO ACHIEVE PROJECT PURPOSES. IS IT REALISTIC TO PLAN FOR THE PROJECT TO HAVE STARTED WORK IN 26 GOVERNORATES BY THE FIFTH YEAR? CLEAR JUSTIFICATION FOR THE TIMING FORECAST SHOULD BE SUPPLIED IN THE PP.

DRAFTED BY AID/NE/TECH/SARD: GRAHAM KERR: PD  
APPROVED BY AIO/A-AA/NE: S. LANGMAID  
AID/NE/TECH/SARO: J. LEWIS  
AID/NE/TECH: L. READE  
AID/NE/DP: C. JOHNSON (DRAFT)  
AID/NE/D: S. TAUBENBLATT (DRAFT)  
AID/NE/GC: J. KESSLER (DRAFT)  
AID/NE/EI: G. GOWER (DRAFT)  
AID/NE/EI: D. MORRISSEY (DRAFT)  
AID/PPC/PDPR: G. HANSEN (DRAFT)

D) DEVELOPMENT OF THE PLANNING SYSTEM IN THE GOVERNORATES:

THOUGH THE PID STATES THAT THE CENTRAL ACTIVITY OF THIS PROJECT WILL BE THE DEVELOPMENT OF GOVERNORATE PLANNING SYSTEMS (PAGE 8), THE NEAC DOES NOT FEEL THAT ENOUGH EMPHASIS IS GIVEN THE PROCESS OF ESTABLISHING THIS SYSTEM PRIOR TO THE TRAINING OF PERSONNEL IN THE BASIC SKILLS NEEDED TO OPERATE THE SYSTEM. THE PP TEAM SHOULD ENSURE THAT ADEQUATE TIME AND STAFF ARE ALLOCATED FOR THE DEVELOPMENT OF THE PLANNING AND MANAGEMENT SYSTEM IN EACH GOVERNORATE.

P 251902Z FEB 82  
FM SECSTATE WASHDC  
TO AMEMBASSY CAIRO PRIORITY

E) CONSISTENCY IN PID AND PP BUDGETS:

NEAC HAS REQUESTED, IN THE REVIEW OF A NUMBER OF PROJECTS, THAT THE MISSION DEVELOP AND USE A STANDARD SET OF INFLATION FACTORS FOR OUT YEAR INPUTS FOR ALL PROJECTS OR AT LEAST BROAD CATEGORIES OF PROJECTS. DEVIATIONS FROM THESE FACTORS IN SPECIFIC CASES SHOULD BE EXPLAINED.

UNCLAS STATE 050137

AIDAC

E.O. 12065: N/A

TAGS:

SUBJECT: DECENTRALIZATION PLANNING AND MANAGEMENT, PID -  
-- 263-0161

2. IT IS EXPECTED THAT UNDERLYING LOCAL REVENUE ISSUES WILL BE ADDRESSED IN THE DECENTRALIZATION SECTOR ASSESSMENT SCHEDULED FOR THIS SUMMER.

1. THE NEAC MET ON FEBRUARY 16 AND APPROVED THE PID, WHICH WAS ACKNOWLEDGED TO BE WELL PREPARED. IN PREPARING THE PP, THE MISSION SHOULD ADDRESS THE FOLLOWING CONCERNS:  
A) THE ROLES OF ORDEV'S SAQQARA CENTER AND MINISTRY OF PLANNING IN DECENTRALIZATION:

3. THE NEAC ALSO WISHES TO BE SURE THAT IT IS CORRECT IN INFERRING FROM THE PID: THAT GOVERNORATES ARE ONLY TO BE PHASED IN AT THEIR OWN REQUEST AND THAT, IN ORDER TO BE SO INCLUDED, THEY ARE REQUIRED TO COMMIT APPROXIMATELY LE100,000 PER ANNUM TOWARDS PLANNING SYSTEM DEVELOPMENT AND MANAGEMENT ACTIVITIES. IF THIS IS TO BE THE CASE, EACH YEAR A CLEAR INDICATION OF INTEREST AND COMMITMENT WILL BE PROVIDED AS NEW GOVERNORATES JOIN (OR DON'T JOIN) THE PROJECT. IF THEY DO NOT JOIN AFTER THE FIRST PHASE, IT WILL BE CLEAR THAT SOMETHING IS WRONG. HAIG

THE PP SHOULD INDICATE EXACTLY WHAT ROLES WILL BE PLAYED BY THE SAQQARA CENTER AND MINISTRY OF PLANNING IN THE PROJECT AND IN THE GOE DECENTRALIZATION STRATEGY. THE NEAC IS CONCERNED THAT THE CENTER NOT BECOME A LARGE CENTRALIZED INSTITUTION WHICH IS ANTI-THETICAL TO THE BASIC DECENTRALIZATION STRATEGY. THE NEAC APPRECIATES THAT THE OFFICES OF REGIONAL PLANNING OF THE MINISTRY OF PLANNING ARE LINKS BETWEEN THE GOVERNORATES AND THE CENTER. THIS ROLE, HOWEVER, MUST BE CLEARLY STATED SO THAT THE REGIONAL PLANNERS ARE NOT ALLOWED TO DOMINATE GOVERNORATE, DISTRICT AND VILLAGE PLANNING. LOCAL PLANNERS MAY FIND IT DIFFICULT TO FIT INTO AN ENVIRONMENT DOMINATED BY PLANNERS FROM HIGHER LEVELS OF GOVERNMENT. ONCE THE REGIONAL AND GOVERNORATE PLANNERS ARE

IN PLACE THEY MAY RESIST INITIATIVES FROM LOCAL PLANNERS UNLESS THE SYSTEM IS DEVELOPED FROM THE BOTTOM-UP.

B) UNDEREMPLOYMENT OF GOE STAFF:

THE NEAC REQUESTS THAT THE PP ELABORATE HOW, IF AT ALL, THE MANAGEMENT AND PLANNING SYSTEM DEVELOPED IN THIS PROJECT WILL AFFECT THE PROBLEM OF SURPLUS GOE STAFF AT ALL LEVELS OF GOVERNMENT. WILL THE TECHNICAL ASSISTANCE PROVIDED ASSIST THE GOVERNORS IN ADDRESSING THIS PROBLEM? WILL THE TRANSFER OF FUNCTIONS FROM THE CENTRAL MINISTRIES TO GOVERNORATES AND BUILDING THE CAPACITY OF GOVERNORATE STAFF TO PERFORM THESE FUNCTIONS INCREASE THE PRODUCTIVITY OF GOVERNORATE STAFF AND ALLEVIATE, TO SOME EXTENT, THIS PROBLEM? WILL THE TRANSFER OF FUNCTIONS FROM CENTRAL

UNCLASSIFIED

171

J. Lewis *AL*  
*10/17/82*

May 11, 1982

Office	Action	Info
NE/DP		✓
NE/PD	<i>See apper</i>	
NE/ENG		
NE/OPS		
NE/BI		⓪
NE/TECH		
NE/NEHA		
GC/NE		✓

MEMORANDUM TO: AA/NE, W. Antoinette Ford  
 FROM: AA/PPC, John R. Bolton *John R. Bolton*  
 SUBJECT: Egypt - Decentralization PAAD

As you are aware, in the course of the new and ongoing projects exercises conducted this year, decentralization activities in Egypt were among those projects which PPC brought to the Administrator's attention. At that time the Administrator accepted PPC's recommendation for a special meeting, prior to obligation of FY 1982 funds, to discuss the issue of AID involvement in assistance to local government in Egypt. Subsequently, however, it has been agreed that the Near East Bureau would proceed with preparation of the authorization package for the Decentralization Sector Support PAAD, that project issues would be addressed within the project approval process, and that decentralization strategy issues would be discussed at the Egypt Country Briefing with the Administrator in June.

Although the authorization package for the Decentralization Sector Support PAAD has not yet arrived in PPC, we wish to notify the Near East Bureau in advance of its arrival that we in PPC have reviewed the components of the PAAD and have concluded that additional funding for the Decentralization Support Fund is not warranted and that this component should be dropped from the authorization package.

Our major concerns with the Decentralization Support Fund are the following. While the stated purpose of the Decentralization Support Fund is "to support and accelerate the process of administrative decentralization to rural governorates by increasing investment budgets under their jurisdiction," the project is essentially a \$50 million commodity drop at the governorate level. There is no identified development problem toward which the commodities are directed. Moreover, the project is not connected to any policy reform which would, for instance, secure more budgetary funds from the central government for the governorates, or change local revenue policy. Nor is it clear

how the needs of local government will be addressed by the Egyptian Government over the long term, once AID financing is terminated.

We are broadly supportive of the idea of unifying the decentralization of decision-making and budget processes for local development. We would note, however, that even without the Decentralization Support Fund component, the PAAD is still of sufficient size to promote the achievement of our decentralization sector program goals, (\$219 million). In the absence of a worked out policy/budget reform agreement on decentralization, it is especially important that PAAD components be able to stand on their own feet as developmentally sound uses of aid funds.

UNCLASSIFIED  
Department of State

INCOMING  
TELEGRAM

JL

PAGE 01 CAIRO 12591 01 OF 02 211533Z 5800 097798 109495

CAIRO 12591 01 OF 02 211533Z 5800 097798 109495

ACTION AID-35

ADDITIONAL ISSUES WHICH NEED TO BE EXPLORED WITH RESPECT TO THE FUTURE OF OUR DECENTRALIZATION EFFORTS, I ALSO STRONGLY URGE THAT THESE BE BUILT INTO THE FORMAL EVALUATION PROCESS FOR DECENTRALIZATION ACTIVITIES AND NOT INTO FURTHER DELAYS ON MOVING THIS PARTICULAR PACKAGE. I WOULD WELCOME A POSITIVE REACTION ON THIS MATTER AT THE EARLIEST POSSIBLE DATE.

INFO NETC-04 /004 A6

B. THE PARTICULAR QUESTIONS RAISED IN THE PPC MEMO AND OUR SUGGESTIONS FOR REPLYING TO THEM ARE AS FOLLOWS:

ACTION OFFICE AAHE-01

INFO HEDP-02 PPCE-01 PDPR-01 PPPB-03 GC-01 GCFL-01 G FM-02 HO-04 HEE-03 OPIC-10 RELO-01 TELE-01 MAST /033 A4 721

A. PPC ISSUE: DSF IS NOT IDENTIFIED WITH THE CENTRAL DEVELOPMENT PROBLEM OF DECENTRALIZATION.

INFO OCT-00 IHR-10 EB-08 NEA-07 AMAD-01 /061 W -----207454 211535Z /38

RESPONSE: AS IDENTIFIED IN THE ORIGINAL PROJECT PAPER, DSF DIRECTLY SUPPORTS AND ACCELERATES DECENTRALIZATION OBJECTIVES BY INCREASING LOCAL INVESTMENT BUDGETS. ASSESSMENTS AND REQUIREMENTS ARE ALL DONE LOCALLY, NOT CENTRALLY, EQUIPMENT AND DECISIONS AS MADE COMPLEMENT AND SUPPORT ALL OTHER DECENTRALIZATION ACTIVITIES, BOTH US-SUPPORTED AND EXISTING GOE PROGRAMS UNDER LAWS 43 AND 50. THE INFUSION OF EQUIPMENT, TRAINING, APPLICATION OF MAINTENANCE OPERATIONS, AND THE MANAGEMENT, PLANNING AND UTILIZATION EXPERIENCE IS PROVIDING A DIRECT IMPACT ON DECENTRALIZATION THEORY AND PROCESSES. IN FACT, DSF, BECAUSE IT IS FOCUSED AT THE GOVERNORATES AND NOT THE CENTRAL LEVEL IS THE FIRST CONCRETE APPLICATION OF ADMINISTRATIVE AND BUDGETARY DECENTRALIZATION TO DEAL WITH VILLAGE/DISTRICT/GOVERNORATE NEEDS AND THE FIRST INTEGRATION OF LOCAL PLANNING, MANAGEMENT, EQUIPMENT USE AND TRAINING WITH LOCAL SERVICES AND INFRASTRUCTURE DEVELOPMENT. APROPOS OF THIS, THE ARRIVAL OF DSF EQUIPMENT FOR GOVERNORATE OPERATION AND USE (GRADERS, BULL-DOZERS, DUMP TRUCKS, FIRE TRUCKS, GARBAGE AND SEWERAGE TRUCKS, ETC.) IS ALREADY STIMULATING A PRIVATE SECTOR SERVICE-CAPACITY BOOM IN THE GOVERNORATES. EGYPTIAN SERVICE AGENTS FOR U.S. MANUFACTURING FIRMS (I.E. DSF

O 211514Z MAY 82

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 7035

UNCLAS SECTION 01 OF 02 CAIRO 12591

AIDAC

E.O. 12065: N/A

SUBJECT: DECENTRALIZATION PAAD

REF: 5/20/82 BURKE/GOWER TELECON

1. FOR AA/NE FORD FROM DIRECTOR BROWN.

2. BY REFTEL WE WILL BE UPDATING OUR MAY/JUNE OBLIGATIONS PLANNING AND REQUESTING SPECIAL BUREAU ASSISTANCE TO ACCELERATE PENDING ACTIONS. HOWEVER, I AM SENDING THIS SPECIAL MESSAGE ASKING YOUR ASSISTANCE WITH THE DECENTRALIZATION PAAD CURRENTLY PROCESSING THROUGH AID/W.

3. THE PAAD FOR THE MISSION'S PROPOSED FY 1982 DECENTRALIZATION PACKAGE OBLIGATION WAS SUBMITTED TO AID/W 2/25/82 AND NEACED AND APPROVED 4/1/82. AUTHORIZATION AND CH ACTIONS ARE WELL UNDERWAY AND WE ARE ANTICIPATING AN EARLY JUNE OBLIGATION.

4. HOWEVER, BY REF TELECON WE UNDERSTAND THAT IN A MEMO JUST SENT (WE DO NOT HAVE A COPY) PPC HAS RAISED A FEW QUESTIONS REGARDING INCLUSION OF THE DECENTRALIZATION SUPPORT FUND (ACTIVITY 263-0143) IN THE PAAD PACKAGE. AS RELAYED BY TELEPHONE THESE SEEM TO US LEGITIMATE CONCERNS AND WE ARE PROVIDING REPLIES IN THIS CABLE WHICH WE HOPE WILL ALLOW AN EARLY BUREAU REPLY TO PPC.

5. AT THE SAME TIME, IT MUST BE UNDERSTOOD WE ARE WORKING WITHIN THE CONTEXT OF A CONTINUOUSLY EVOLVING RELATIONSHIP WITH THE GOE BOTH WITH REGARD TO DECENTRALIZATION ACTIVITIES AND WITH RESPECT TO THE TOTALITY OF PROGRAM CONTENT AND ADMINISTRATION. BASED ON OUR CORRESPONDENCE THROUGHOUT THE FISCAL YEAR AND SPECIFICALLY THE NEAC REVIEW AND APPROVAL OF THE DECENTRALIZATION PAAD, WE HAVE NECESSARILY GONE QUITE FAR IN OUR DISCUSSIONS WITH THE GOE AND HAVE AROUSED CLEAR EXPECTATIONS OF EARLY APPROVAL AND AUTHORIZATION OF THE PAAD AS IT HAS BEEN SUBMITTED.

6. WHAT WE ARE CONCERNED ABOUT NOW IS THAT THIS LATE IN THE FISCAL YEAR -- ALMOST SEVEN WEEKS AFTER APPROVAL OF THE PAAD AND JUST AHEAD OF AN ANTICIPATED OBLIGATION -- WE ARE SUDDENLY FACING QUESTIONS AS TO WHETHER WE WILL BE ABLE TO PROCEED ALONG THE LINES WE HAVE BEEN DISCUSSING WITH THE GOE.

7. I WISH TO URGE MOST STRONGLY THAT WE AND PPC PROCEED TO ASSURE AN EARLY AUTHORIZATION OF THE PAAD AS SUBMITTED. TO THE EXTENT THAT IT IS BELIEVED THERE ARE IMPORTANT

UNCLASSIFIED

174

UNCLASSIFIED  
Department of State

INCOMING  
TELEGRAM

PAGE 01 CAIRO 12591 02 OF 02 211538Z 5847 097799 AID9508

CAIRO 12591 02 OF 02 211538Z 5847 097799 AID9508

ACTION AID-35

ADDITION, SUBSTANTIAL POTENTIALLY TAXABLE SECTOR GROWTH SHOULD FLOW FROM THE SUCCESS OF THE ADMINISTRATIVE AND BUDGETARY DECENTRALIZATION PROCESS. ATHERTON

INFO NETC-04 /004 A6

ACTION OFFICE AAHE-01

INFO WEDP-02 PPCE-01 PDPR-01 PPPB-03 GC-01 GCFL-01 GCNE-01  
FM-02 HO-04 NEE-03 OPIC-10 RELO-01 TELE-01 MAST-01  
/033 A4 721

INFO OCT-00 INR-10 EB-08 NEA-07 AHAD-01 /061 W  
-----207574 211549Z /46

O 211514Z MAY 82

FM AMEMBAGSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 7836

UNCLAS SECTION 02 OF 02 CAIRO 12591

AIDAC

BID AWARDEES) ARE RAPIDLY EXPANDING FACILITIES ALL OVER EGYPT. THIS IN TURN IS PROVIDING IMPETUS FOR ADDITIONAL PRIVATE-SECTOR ORDERS BY EGYPTIAN CONTRACTORS.

B. PPC ISSUE: DSF IS NOT CONNECTED WITH POLICY CONSIDERATIONS THAT THE PAAD PROMOTES.

RESPONSE: LOCAL EQUIPMENT NEEDS-ASSESSMENTS, ACQUISITION THROUGH DSF, AND UTILIZATION ARE THEMSELVES AN ACTUAL OPERATION IN PRACTICAL SUPPORT OF DECENTRALIZATION POLICY AND STRATEGY AS OUTLINED IN THE DECENTRALIZATION LAWS. USAID BELIEVES ITS DECENTRALIZATION PORTFOLIO REPRESENTS FUNDAMENTAL POLICY ORIENTATION. WHILE ACTIVITIES ACTUALLY FUNDED INCLUDE HARDWARE, INVESTMENT BUDGET AUGMENTATION, AND TRAINING AND TECHNICAL ASSISTANCE, THOSE INVESTMENTS ARE IN SUPPORT OF FUNDAMENTAL POLICY REFORM WHICH IS AT THE HEART OF SADAT/MUBARAK INITIATIVES. DURING THE PAST THREE YEARS INCREASING RESPONSIBILITY HAS BEEN TRANSFERRED TO THE VILLAGE AND GOVERNORATE LEVELS. GOVERNORS THROUGHOUT THE COUNTRY HAVE BEGUN TO EXERCISE THE NEW AUTHORITIES GIVEN THEM AND TO SUPPORT VILLAGE AND MARKAZ INITIATIVES WHILE STRENGTHENING GOVERNORATE COORDINATION AND SUPPORT. THIS MOVEMENT HAS BEEN FUNDAMENTAL AND REFLECTS A REVOLUTION IN THE ADMINISTRATION OF RURAL LIFE. CERTAINLY THERE IS MORE TO BE DONE -- PARTICULARLY ON THE REVENUE ALLOCATION AND GENERATION SIDE. BUT CENTRAL GOVERNMENT ALLOCATIONS OF DISCRETIONARY INVESTMENT TO THE GOVERNORATES HAS INCREASED DRAMATICALLY OVER THE PAST THREE YEARS, AND THERE IS INCREASING WILLINGNESS TO LOOK AT UTILITY ORGANIZATION (I.E. IBRD IN BEHEIRA AND PROVINCIAL CITIES) AND TO CONSIDER TAX AUTHORITY. DSF IS HAVING A PRACTICAL POSITIVE IMPACT ON THE DECENTRALIZATION PROCESS AND RELATED POLICY CONCERNS.

C. PPC ISSUE: WHAT HAPPENS TO LOCAL GOVERNMENT NEEDS WHEN AID FUNDING ENDS?

RESPONSE: AID RESOURCES IN ALL PROJECT ACTIVITIES OF DECENTRALIZATION, ESPECIALLY DSF, ARE "PUMP PRIMING" ACTIONS WHICH ARE ALREADY DEMONSTRATING RESULTS OF INCREASING BUDGET FLOWS FROM CENTRALIZED MINISTRIES TO GOVERNORATES. (AID ANALYSIS OF GOE 1980-81, 81182 AND NEW 82-83 BUDGETS IS UNDERWAY AND THE TREND IS QUITE CLEAR.) WE BELIEVE AID FUNDS ARE CLEARLY INSTRUMENTAL IN INSTIGATING AND ACCELERATING THIS CHANGE. OBVIOUSLY, THE PROCESS MUST AND WILL CONTINUE AS AID FUNDING RUNS OUT. A SUCCESSFUL TRANSITION FROM FOREIGN ASSISTANCE TO DOMESTIC FUNDING OF LOCAL DEVELOPMENT IS ANTICIPATED AS A RESULT OF TWO FACTORS: (1) INCREASED ADMINISTRATIVE EXPERIENCE AND TECHNICAL CAPACITIES TO HANDLE INVESTMENT FUNDS; AND (2) CREATION OF POPULAR DEMAND AT LOCAL LEVELS FOR CONTINUATION AND EXPANSION OF SERVICES. IN

UNCLASSIFIED

173

JUL 1982

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

THRU: ES  
FROM: AA/NE, W. Antoinette Ford *PL*  
SUBJECT: Egypt: Decentralization PAAD

Attached are two action memoranda to you on the Egypt Decentralization PAAD. One, from this Bureau, recommends approval of the full decentralization sector package. The other, from PPC, recommends approval of the package with the exception of the Decentralization Support Fund (DSF) activity.

We have been aware of PPC reservations on the DSF and have devoted nearly two pages in our action memorandum to a discussion of these concerns. PPC has now decided to draft its own memorandum. We believe we have fully responded to PPC's substantive concerns in our original action memorandum so we are submitting it as previously drafted.

The PPC memorandum does raise two additional issues which I would like to comment on briefly. The first is PPC's assertion that the DSF was essentially a hastily thrown together, one time transaction to meet our FY 1980 obligation target. It is true that the notion of a DSF activity only fully emerged during FY 1980. Impetus for the DSF grew largely out of the GOE reorganization of May 1980 which delegated substantial additional authorities to the Governorates. However, we had had prior experience with DSF-like investments in three Governorates which provided us with a model. A PID, per se, was not submitted by the Mission but a concept paper in the form of a cable was submitted and was subjected to a NEAC review in lieu of a PID. While no follow-on funding for the DSF was identified in the original PP, this is true for most of our activities. Neither the Basic Village Services nor the Development Decentralization activity specifically provided for follow-on funding in the original PP. The point is we intentionally limit our initial exposure and subsequently select for additional funding those activities which are relatively more successful. I believe the Agency guidelines encourage repeated investments in areas of successful endeavors. Moreover, I firmly believe good ideas may and do emerge from a gestation period considerably shorter than the eighteen months required by the full PID - CP - PP cycle.

The second point is PPC's denigration of the equipment needs assessment. The DSF is targeted at the maintenance of basic services at the Governorate levels. Egypt's basic infrastructure and other services fell into disrepair during the thirty years following World War II. The DSF not only represents a major policy change where investment decisions are made, it involves also partial movement towards a resource allocation which gives proper attention to maintenance and basic infrastructure and services. It seems to us that this type of investment is fully consistent with the thrust of the Agency's recent policy paper on Recurrent Costs. The AID policy paper disposes of the existing bias in favor of new investments to the exclusion of maintenance and recurrent costs. Finally, I see nothing wrong with financing dump trucks and fire equipment. These items are in high demand and provide tangible evidence of U.S. assistance -- visibility which the GOE earnestly desires.

176

This is a politically and economically important project and I hope we can now go forward with it rapidly.

  
NE/E:GFGower:cdw:7/19/82:Y24728

177