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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

DEVELOPMENT DECENTRALIZATION I  
(263-0021)

THIRD AMENDMENT TO THE PROJECT PAPER  
and  
FOURTH AMENDMENT TO GRANT AUTHORIZATION

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*BEST AVAILABLE COPY*

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

FOURTH AMENDMENT

TO

GRANT AUTHORIZATION

Name of Country: Arab Republic  
of Egypt

Name of Project: Development  
Decentralization I

Number of Project: 263-0021

1. Pursuant to Section 532 of the Foreign Assistance Act of 1961, as amended, the Development Decentralization I Project for the Arab Republic of Egypt was authorized on February 16, 1978. That authorization, as amended on March 1, 1978, March 19, 1979, and November 11, 1980, is hereby further amended as follows:

The third paragraph of the Authorization is revised to read:

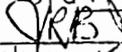
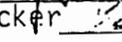
"I hereby authorize planned obligations for this project of not to exceed Twenty Six Million Two Hundred Thousand United States dollars (\$26,200,000) and One Hundred and Twenty-Five Thousand Egyptian pounds (LE 125,000) in grant funds over the period of FY 78 through FY 85, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process".

2. All other provisions of the original Grant Authorization approved on February 16, 1978, and as subsequently amended, remain unchanged.

  
\_\_\_\_\_  
M. Peter McPherson  
Administrator

Aug 18, 81  
\_\_\_\_\_  
Date

Clearance:

AA/NE, W. Antoinette Ford  Date 14 Aug '81  
GC, John R. Bolton  Date 8/14/81  
A-AA/PPC, Larry Smucker  Date 5/17/81

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU : ES

THRU : A-AA/PPC, Mr. Larry Smucker

FROM : AA/NE, W. Antoinette Ford

SUBJECT: Authorization of \$15 Million Additional Funding to USAID/Egypt's Development Decentralization I Project (263-0021) to Raise Life-of-Project Funding to \$26.2 Million.

Problem: Your signature is required on the Fourth Amendment to the Grant Authorization which increases the life of project funding for the Development Decentralization Project I (263-0021) by \$15,000,000 from \$11,200,000 to 26,200,000 and extends the project from FY 83 to FY 85.

Background: On June 25, 1981 the Near East Advisory Committee met and recommended approval of the amendment to the Development Decentralization I project paper. This amendment proposes an additional fifteen million dollars to cover (1) added contributions to an already established local development fund (2) increased dollar costs for technical assistance, training and training equipment, research and evaluation, and contingencies, and (3) local currency costs originally planned to be met from US owned local currency.

Discussion: The project aims to increase the autonomous revenues of village councils throughout Egypt in order to help develop financial viability and development capability, as described in the FY 1978 Project Paper. The project has established a Local Development Fund (LDF) which loans money to Village Councils for income-producing projects. The income produced will be used to augment the Councils' "accounts for local services and development." Assistance is being given for the construction and equipping of the Organization for the Development of Egyptian Villages Training Academy for ORDEV staff and village councilors, and also for participant training. Applications, and loan disbursements from this Local Development Fund have been far in excess of anticipated demands. As of May 31, 1981, more than 163 active revenue-producing loans, with a total value of nearly LE 4.5 Million (\$6.2 Million), have been awarded to village councils in all 21 rural Governorates. During the 4th quarter of FY 1981, the present capitalization of the LDF has been exhausted. Since the first loans were made in February 1980, there has not been a single defaulting village and repayments to the Fund are on schedule. While the majority of the village council loans has been for traditional agrarian activities (cooperative poultry, cattle-fattening, bee-keeping, etc), there has been a new series of applications for more innovative projects such as village fish ponds, fishing boats, village-run mini-bus operations, etc. To ensure that all of this momentum is not lost, it is critical that additional project funds be provided this FY.

The additional AID funding will also strengthen the training component of the Project. Approximately \$1,000,000 will fund the continuation of the highly successful Bluegrass Area Development District (Kentucky) training program for ORDEV staff, as well as continuing third country training in the Philippines for ORDEV staff and village representatives. Training of village officials in country will also be continued. This amendment will also provide funds for the completion of the ORDEV training center.

This amendment will provide \$1,200,000 for additional technical services to ORDEV.

The original approved Project Paper dated 1/23/78 and as amended in 3/31/80 provided for AID dollar contribution of \$11.2 Million and LE 125,000 (U.S. owned excess currencies).

Based on a continuing assessment of needs it is now recommended that Life of Project Grant financing be increased by \$15,000,000 for a new total dollar grant contribution of \$26,200,000.

The added funds will be allocated as follows:

- Local Development Fund	\$12,373,000
- Technical Assistance	1,200,000
- Participant Training, Training & Trg. Equip.	1,000,000
- Research and Evaluation	27,000
- Contingencies	<u>400,000</u>
TOTAL	\$15,000,000

The NEAC approved the Development Decentralization PP amendment and recommended that the changes that it calls for be authorized. NEAC guidance centered on concerns that should be given detailed attention during the mid-project evaluation scheduled for September, 1981. The evaluation should make recommendations regarding alternative interest rate structures and grace periods, future demand for LDF loans with different interest options, and the profitability of the enterprises receiving these loans. ORDEV's capacity to mount an expanded portfolio of decentralization activities should be examined. Detailed attention should also be given to identifying the direct beneficiaries of LDF loans. This information will allow the GOE to plan for the LDF's future.

An Advice of Program Change was sent to Congress on July 22, 1981 indicating AID's intent to increase life of project funding to \$26,200,000 and obligate \$15,000,000 in FY 81. No objection was received from Congress. There are no human rights issues under Section 502 B of the Foreign Assistance Act which would preclude provision of this assistance.

Recommendation: That you sign the attached project authorization approving the activity, as described herein and in the attached PP amendment, increasing the life-of-project amount up to \$26,200,000.

- Attachments: 1. Project Authorization (263-0021)  
2. Third Amendment to Development Decentralization (263-0021) Project Paper

Clearance:

NE/TECH/SARD:PBenedict PS Date 7/23/81  
NE/TECH:LPReade LR Date 8/5/81  
NE/EI:GKamens AK Date 8/4  
NE/DP:BLangmaid BL Date 8/6  
GC/NE:JKessler JK Date 8/4  
GC:JRBolton JRB Date 8/4  
DAA/NE:ADWhite AD Date 8/7  
NE/TECH/SARD:GKerr: rjl:7/22/81:X23516

~~AAA~~ AAA/PPC/PDPR:JEriksson RE Date 8-17-81

## memorandum

DATE: June 19, 1981

REPLY TO  
ATTN OF:

NE/PD/PDS, Stephen F. Lintner, *SLZ*  
Bureau Environmental Coordinator

SUBJECT:

EGYPT - Development Decentralization, Amendment No. 4  
(163-0021) - Environmental Clearance

TO:

NE/TECH/SARD, John Lewis,  
Project Chairperson

I have reviewed the proposed amendment and recommend it be given a "Negative Determination" in compliance with the requirements of 22 CFR 216, "A.I.D. Environmental Procedures".

cc: GC/NE, T. Carter

AID/Cairo, W. McAleer, Mission Environmental Officer  
AID/Cairo, L. M. Hager, Senior Legal Adviser

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AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID/CAIRO

PROJECT PAPER

DEVELOPMENT DECENTRALIZATION: EGYPT  
(263-0021)

AMENDMENT NO.3 and Attached Fourth Amendment to  
GRANT AUTHORIZATION

UNCLASSIFIED

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b>		<b>1. TRANSACTION CODE</b>		<b>DOCUMENT CODE</b>	
<b>PROJECT DATA SHEET</b>		<input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number <div style="text-align: center;">3</div>	
2. COUNTRY/ENTITY Egypt		3. PROJECT NUMBER 263-0021			
4. BUREAU/OFFICE USAID/Cairo		5. PROJECT TITLE (maximum 40 characters) Development Decentralization			
6. PROJECT ASSISTANCE COMPLETION DATE (PACD)		7. ESTIMATED DATE OF OBLIGATION (Under 'B:' below, enter 1, 2, 3, or 4)			
MM DD YY 09 30 85		A. Initial FY 78		B. Quarter 3	
		C. Final FY 81			

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	820	580		5,790	20,410	26,200
(Grant)	( 820 )	( 580 )	( )	( 5,790 )	( 20,410 )	( 26,200 )
(Loan)	( - )	( )	( )	( )	( )	( )
Other U.S.						
1. US owned LE	-	179			179	179
2.						
Host Country		391			5,300	5,300
Other Donor(s)						
<b>TOTALS</b>	<b>820</b>	<b>1,150</b>		<b>5,790</b>	<b>25,889</b>	<b>31,879</b>

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF	284	246		11,200		15,000		26,200	
(2)									
(3)									
(4)									
<b>TOTALS</b>				<b>11,200</b>		<b>15,000</b>		<b>26,200</b>	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)						11. SECONDARY PURPOSE CODE			
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									
13. PROJECT PURPOSE (maximum 480 characters)									

To strengthen the financial viability and development capability of selected village councils.

14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM	YY	MM	YY	Final	MM	YY		
	10	81	12	83		06	85		
					<input type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) : 935				
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)									

This amendment is to provide additional funding for the project in order to (1) cover local currency costs originally planned to be met from US owned local currency; (2) provide additional funds to the Local Development Fund; (3) cover increased project dollar costs; and (4) expand the Life-of-Project.

17. APPROVED BY	Signature	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
	Title	
	Donald S. Brown USAID Mission Director	Date Signed MM DD YY 16 13 81
		MM DD YY 

DEVELOPMENT DECENTRALIZATION  
(Third Amendment)

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THIRD AMENDMENT TO  
DEVELOPMENT DECENTRALIZATION  
263-0021

I. Summary and Recommendation

A. This amendment proposes additional funding for the project to cover (1) local currency costs previously considered appropriate; (2) added contribution to an already established level project development fund and (3) increased dollar costs for technical assistance, training and training equipment, research and evaluation and contingencies.

The project's direction and objectives remain as described in the FY1978 Project Paper. The full discussion in Part II provides a review of progress to date and justification for changing the life of the project funding. Applications, and loan approval/disbursements, have been far in excess of anticipated demands. As of May 31, 1981, more than 163 active revenue-producing loans have been awarded to village councils in all 21 of Egypt rural Governorates with a total value of nearly LE 4.5 Million (\$6.2 Million). During the 4th quarter of FY 1981, the present capitalization of the Local Development Fund (LDF) will be exhausted. Since the first loans were made in February 1980, there has not been a single defaulting village and repayments to the Fund are on schedule. While the majority of the village council loans have been for traditional agrarian activities (cooperative poultry, cattle-fattening, bee-keeping, etc), there have been a new series of applications for more innovative projects such as village fish ponds, fishing boats, village-run mini-bus operations, etc. To ensure that all of this momentum is not lost, it is critical that additional project funds be provided this FY.

B. The original approved Project Paper dated 1/23/78 and as amended in 3/31/80 provided for AID dollar contribution of \$11.2 Million and LE 125,000 (U.S.owned excess currencies).

Based on a continuing assessment of needs, it is now recommended that Life of Project Grant financing be increased by \$15,000,000\* for a new total dollar grant contribution of \$26,200,000.

The added funds will be allocated as follows:

- Local Development Fund	\$12,373,000
- Technical Assistance <u>1/</u>	1,200,000
- Participant Training, Training & Trg.Equip. <u>2/</u>	1,000,000
- Research and Evaluation <u>3/</u>	27,000
- Contingencies	<u>400,000</u>
TOTAL	\$15,000,000

Local Currency Requirements\*\*

1/ Includes \$400,000 convertible into LE for local support cost

2/ Includes \$200,000 " " " " " " " "

3/All in US \$ to LE

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\*Annex A and B provide detailed project financial plan.

\*\*Annex G of the original PP provided F.A.A. Section 612 (b) recommendation to convert dollar funds to Egyptian Pounds to fulfill the purposes of the project. The determination made in the original authorization, which allows the conversion of US dollars to Egyptian Pounds, remains valid and in effect.

The USAID/Cairo Project Committee is as follows:

- |                         |          |
|-------------------------|----------|
| 1. Magd E. Abdel Gawad, | DRPS/LAD |
| 2. Ernest Kuhn,         | DRPS/LAD |
| 3. John E. Roberts,     | DRPS/LAD |
| 4. Ray De Bruce,        | CONT     |
| 5. William Loris,       | LEG      |
| 6. Richard Fraenkel,    | DPPE/SPE |
| 7. Marvin Hurley,       | HRDC/TRG |

II. Brief description - Progress to Date

A. Project purpose

To strengthen the financial viability and development capability of selected village councils. (NO change).

B. Background - Progress to Date

1. Development Problem:

Egypt has an impressive record of rural development achievements. Over the last 20 years considerable infrastructure have been created to facilitate economic and social development in the rural areas of Egypt. A large staff of Egyptians are located in rural areas, working in this development effort, and a significant amount of funds have been expended to achieve basic growth and an equitable distribution of the benefits of this growth in rural areas. However, as the cost of this development has geometrically expanded over the last 10 years and since available funds have been in short supply, the GOE has looked to various different methods and systems of rural development to maximize the impact of their expenditure and manpower in rural areas. (This is without change from original PP).

2. Local Development/Decentralization strategies:

AID developed a concerned interest in rural development effort shortly after establishing a Mission in Egypt in 1973. It had been looking for a rural development activity which would allow AID to assist the Egyptians with their rural development effort and provide AID with a first stage intervention into the rural development sector in order to assist at rural village levels and to allow for the gathering of more information from which to develop additional rural development oriented activities.

Toward this end, AID in conjunction with Organization for Reconstruction and Development of the Egyptian Village (ORDEV), undertook a series of studies starting in January of 1976 designed to identify a project which met the criteria mentioned. These studies describe and analyze the governmental administrative and physical infrastructure which is now in place, particularly among the "old lands" of Egypt or the Nile Valley. It is from these studies that the project idea emerged.

President Sadat has steadily expressed an interest, since 1971 in bringing change and modernization to traditional Egyptian villages. In July 1973, he authorized the creation of a special group, ORDEV within the Ministry of Local Government to foster the necessary changes. This entity has a special responsibility to: "Elaborate a general policy and plan for construction and development of the village in the economic, social and urbanization plans within the scope of the general policy of the State".

Consistent with this desire to bring change to the traditional village, popular local elections were held in 1975 in rural Egypt. Public Law 52, promulgated in 1975, requires each unit of local government to be governed by popularly elected local councils. There are now 24 governorate councils, 755 village councils, 153 town councils, and 14 metropolitan district councils.

The decentralization process, however, has its roots in the agrarian reform measures enacted in 1952. The following decade saw the introduction at the village level of social welfare projects, cooperatives and, finally, municipal governments. In 1971 President Sadat reaffirmed and enunciated the determination of the Government of Egypt to bring change and modernization to the Egyptian village. Under Public Law 52 each unit of local government is governed by a body of popularly elected members. In addition, a Head Executive Officer (HEO) is appointed at governorate district and village level. HEOs are designated by the Ministry of Local Government and have authority over Local Executive Committees, which are composed of the representative of line (technical) ministries. In 1979 Law 43 was passed giving even more authority and autonomy to elected councils. (This section is basically unchanged from the original PP, yet still provides the key foundation for implementation and expansion of the project).

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\*ORDEV Authorization of July 16, 1973, P.1

3. Priority actions taken by GOE and USAID:

The following addendum to Part I (c) of the Project Paper outlines project progress to date;

"The project has capitalized a Local Development Fund (LDF) to provide loans to village councils for income producing projects and is providing technical assistance and training to strengthen ORDEV's capacity to assist village councils.

ORDEV has conducted a series of seminars to orient governorate, district and village council officials on the program and council responsibilities for general management, reporting and evaluation. Officials from these three levels of local government are being trained within Egypt and others are being selected for training in the U.S. and third countries. Construction of the ORDEV Academy is nearing completion. Due to cost increase and inflation, completion of the Academy shall take more time than originally planned with a new opening date planned for September 1981.

Since the first LDF capitalization in August 1979 through April 1981, one hundred and sixty three loans totalling \$4,414,320 (LE 3,065,500) have been awarded by the LDF to village councils in twenty Governorates. The LDF now has 95 other projects under study totalling \$2,857,142.85 (LE 2 Million). Based on the above data, nature and value of loans applications received to date it is evident that loans exceed the number originally estimated and that the average LE amount loaned will be greater than envisaged.

Within the context of a new Grant Agreement, a Covenant will be included committing all parties to undertake an in-depth impact evaluation of selected LDF sub-projects and the DDI Project as an entity. This evaluation is now scheduled for September, 1981. The covenant and the planned evaluation will provide the basis for both the GOE and USAID to make any necessary adjustments and changes in the project's implementation. Subsequent PILs, prior to the disbursement of any new funding will focus on initial understandings emanating from this Evaluation. Procedures which focus on any necessary changes relative to LDF operations, program objectives or disbursement arrangements may be. The Evaluation, and subsequent actions relative to project implementation, will focus on the diversity of loans, implementation of subprojects, achievement and impact of training programs, etc.

C. Project Elements (inputs)

1. Technical assistance

Para 1 on P.8 of the original PP is revised to read as follows:  
"Long term technical assistance will be provided by a technical Project Manager who should be a Senior Development Economist and by three technicians, one of whom will be experienced in local government management, budgeting and finance and one of whom should be experienced in small-scale production and marketing in developing countries, and one of whom should be an experienced bilingual developmental training officer. The technical Project Manager position will be for five years and the three technicians will be for four years each. In addition, short-term consultants will be provided as necessary".

2. Local Development Fund (LDF):

One Hundred and Sixty Three loans totalling \$4,414,320 (LE 3,065.500) have been awarded by the LDF to Village Councils in twenty Governorates, and the LDF now has 95 other projects under study totalling \$2,857,142.85 (LE 2 Million). Three increments totalling \$4,107,142.43 (LE 2,874,999.70) have been made to capitalize the LDF fund. The fourth increment of \$1,430,000 (LE 1 Million) was capitalized on Feb.17, 1981 (PIL 20). This new increment has brought the total capitalized to \$5,535,712 (LE 4,225,000) with only \$664,286.14 (LE 465,000) available for capitalization under the present project budget. Average size of loans is now about \$25,700.00 (LE 18,000) but due to inflation and the project's mix of activities, future loans are expected to average about \$35,700 (LE 25,000).

The present capitalization of the LDF will be exhausted during the 4th quarter of FY 1981. The initial project design was very conservative in the anticipated response of villages, as corporate entities to borrow money through ORDEV for revenue-producing projects. The applications for loans were far in excess of the anticipated demands. As a result the initial LDF capitalization of LE 1,225,000 was exhausted and subsequently recapitalized with an additional tranche for a total of \$6,200,000 (LE 4,340,000). As of 31 May, 1981 there were 163 loans approved and the funds disbursed. Fourteen more loans were approved in May but no funds have been disbursed.

The response for loan requests is viewed as a measure of success in that village councils are assuming the responsibility of choosing planning, implementing and managing publically owned enterprises.

This interest in loans has also meant that the LDF loaned out funds at a much faster rate than anticipated, and in fact the Steering Committee was urged by AID to review and approve projects with minimum delays. It appears that this rapid approval of loans and the quick disbursement funds has not meant lowering of standards for projects, nor have the need for sound financial studies been ignored. Granted that many of the projects are in their early months of operation, no villages have defaulted and repayments are, in general, on schedule. The majority of these loans have been for more "traditional" or conservative projects; cattle fattening, egg production, poultry production and bee-keeping. Recently several loans were made for fishing boats in the North Sinai and in Matrouh Governorates.

The diversity of project will increase during the next two years. A recent study by two aquaculture experts has indicated the potential for fish culture and fish/duck production. There are already 7 loan applications pending for aquaculture related projects. Many of these projects will be in the range of LE 50,000 - an amount higher than previous LDF Loan ceiling would have allowed. In addition the Minister responsible for Local Government has recently lifted a restriction on approving non food security projects. During the time of the restriction approximately 110 requests for loans to buy small public buses were held pending. These requests will be reviewed and more requests of this type are expected to follow.

Another example of a larger and totally different type of project is a recently approved loan for LE 160,000 for a plastic bag factory in Aswan. As a condition to the loan the village had to secure a contract with a local fertilizer plant to buy a minimum amount of bags. A chicken processing plant and new fish processing plant are expected to also acquire their bags from this factory.

A tripling of the LDF capitalization will also allow for a potentially expanded portfolio in joint public/private ventures. Although allowed under the original agreement, private entrepreneurs have historically been reluctant to enter into joint ventures with the government. It is anticipated that the success of LDF financed publically owned projects will encourage joint ventures in the future.

The additional AID funding will also strengthen the training component of the Project. Approximately \$1,000,000 will fund the continuation of the highly successful Blue Grass training program as well as continuing third country training in the Philippines. Training of local village officials in country can also be continued. This amendment will also provide funds for the completion of the ORDEV training center. This center will be the focus of all decentralization training projects once it is completed.

### 3. Project Commodities - Equipment:

\$296,230.02 (LE 207,361.01) worth of commodities and equipment have been procured so far to support the LDF operations. This included the procurement of 24 vehicles for use in 21 Governorates and central LDF offices in Cairo, 10 manual typewriters, an overhead projector, a photo-copying machine and office furniture and equipment. Due to the rapid expansion of the LDF operations and the fact that the LDF financed projects are dispersed over 21 rural governorates it became evident that an additional van is needed for the central office to be used by the Technical Assistance Team in field trips and follow-up activities. Provision of the additional van is now underway. Procurement of equipment for the Training Academy is just beginning

### 4. Training:

Two groups of ORDEV officials (20 persons) working in Governorate, Districts, Villages and Central levels have already finished training in the U.S. at the Blue Grass Area Development District (BGADD). BGADD is a Consortium made of Morehead State University and Kentucky State University under contract to train ORDEV participants on project identification and analysis, financial management, public finance and banking, and data management, local participation, evaluation and research and appropriate production and marketing systems/skills. A third group (9 ORDEV officials) is currently being trained at the BGADD and expected to finish course by the end of June 1981.

In addition the BGADD training, 2 groups (36 people) of ORDEV officials, heads of village administrative councils and elected members of village popular councils have been sent to the University of the Philippines Institute for Small Scale Industry (UPISSI) for month-long training. The Mission sees this third country training program at UPISSI as an important component of project training. In the last two years 2 groups of participants (36 persons in all) received training at the UPISSI and there are plans to send 3 more groups (some 60 participants) over the next 3 years.

During the last 2 years, a series of project-related training seminars have been held to train some 300 local government officials on management at rural levels, project identification and analysis, financial management, cost benefit analysis and accounting. ORDEV has developed plans to train an additional 540 Local Government officials and community leaders locally. Project financial and technical support of local training will continue as in the past.

English language proficiency training is also being provided to local government officials in order to prepare them for training in the US or the Philippines.

The initial BGADD contract will expire on July 14, 1981, and the Mission /AID/W are currently negotiating a new two year contract with the consortium to continue providing the same type of training and also to provide "Project Evaluation" training to local officials responsible for the implementation/evaluation of LDF projects.

Realizing the importance of training for the project the technical assistance team had enlisted the services of a full time, completely bilingual training expert instead of the short time training consultant originally envisaged in the PP. This is to continue in the future.

ORDEV Training Academy is still under construction, the main lecture halls, auditorium, staff offices and dining hall are expected to be finished by September 1981. ORDEV and the USAID are in the process of conducting a needs assessment survey to determine the Academy requirements for equipment and materials.

#### D. Major Project Outputs (as amended)

1. Spreading awareness of the usefulness of profit-making projects among members of village councils.
2. Village councils seeking financial autonomy through planning of profit making projects.
3. Profit making projects actually designed, appraised and implemented by village councils and village executive committees.
4. Village councils fully aware of the relationship between project purposes, efficient use of resources, good management and repaying loans at a reasonable interest rate on time.

### III. Project Analysis

#### A. Relationship to CDSS and Linkages to other AID Programs:

The project aims to increase the autonomous revenues of village councils throughout Egypt in order to help develop increased financial viability and developmental capability of local administrations in order to further the decentralization process enunciated in 1975 and 1979 by Public Laws 43 and 52. The project is, therefore, linked to the Basic Village Services Project (BVS) also financed by AID with the objective of achieving the GOE policy objectives in economic and administrative decentralization at local entities through rural public infrastructure.

B. Beneficiaries:

It has been determined that individual sub-projects are benefiting entire villages through generation of additional money for the "Special Accounts" which are then used for further income producing activities or community development, infrastructure and social services. Village council members, as elected officials, are responsive to community "felt needs" and that, therefore, funds generated through income producing activities are being applied to address the needs of institutions which can include both sound types of projects or reinvestment in other income producing activities. Beneficiaries have not been measured in individual terms but are viewed in the aggregate, as whole villages. Whether funds are reinvested or used directly for development purposes benefits flow to all citizens of the villages. To the extent to which the village council is elected through a genuine democratic process, it is answerable to the electorate for the use of monies within the LDF project accounts and to profit funds accruing to the Special Account.

C. Amendment Financial Plan - (See Annex A for detailed plan)

1. Loan capitalization - (See Annex A, pages 1-3 for revised schedule)
2. Local Cost Project Support:  
Beginning in FY78, due to non-availability of US owned Egyptian pounds, all local cost support are provided from dollars converted to Egyptian pounds. Dollar amounts are:  
Technical Assistance (\$400,000), Training (\$200,000),  
Research and Evaluation (\$27,000).
3. Technical Assistance: to provide for increased dollar costs for project management, research and evaluation (\$800,000).
4. Training and training equipment: to provide for increased dollar cost for training and training equipment (\$800,000).
5. Commodities and equipment: no additional funding is needed since no additional procurement is contemplated over that planned in PP.
6. Contingency and inflation: to bring into conformity with added costs added to the above categories (\$400,000).

PROJECTED LDF LOAN OPERATIONS SCHEDULE  
 (Revised May 1981 based on operational experience  
 and proposed additions to AID Capitalization Grant.  
 See Assumptions on accompanying sheet).  
In Egyptian Pounds

<u>LOANS</u>	<u>Year 1</u> (CY 1979)	<u>Year 2</u> (CY 1980)	<u>Year 3</u> (CY 1981)	<u>Year 4</u> (CY 1982)	<u>Year 5</u> (CY 1983)	<u>Year 6</u> (CY 1984)
Authorized Capitalization of LDF through AID Grant	3,500,000	4,340,000	13,001,100	13,001,100	13,001,100	13,001,100
Amount Capitalized by LDF During Year	1,225,000	2,000,000	4,000,000	4,000,000	1,776,100	-0-
Cumulative Amount Capitalized by LDF	1,225,000	3,225,000	7,225,000	11,225,000	13,001,100	13,001,100
Value of Loans Made	-0-	1,922,500	4,000,000	4,000,000	3,000,000	2,000,000
Cumulative Value of Loans Made	-0-	1,922,500	5,922,500	9,922,500	12,922,500	14,922,500
Mo. of Loans Made	-0-	107	200	200	150	100
<u>INTEREST INCOME</u>						
From Principal	6,100	50,000	50,000	50,000	10,000	-0-
From Loans	-0-	29,400	130,000	310,000	350,000	660,000
Total Interest Income	6,100	79,400	180,000	360,000	340,000	660,000
Minus Office Expenses	500	34,000	40,000	50,000	60,000	70,000
Interest Income Available	5,500	45,400	140,000	310,000	480,000	610,000
<u>PRINCIPAL REPAYMENT</u>	-0-	9,300	25,500	237,000	655,900	1,650,000
<u>BALANCE OF AVAILABLE LOAN FUNDS (At end of .CY)</u>						
From AID Grant	3,500,000	2,417,500	7,078,600	3,078,600	78,600	-0-
From Interest Income	5,500	50,900	190,900	500,900	980,900	1,590,900
From Repayments	-0-	9,300	34,800	271,800	927,700	656,300*
Total Loan Balance Available	3,505,500	3,477,700	7,304,300	3,851,300	1,987,200	2,247,200

\* See Note 5 page 3.

AID Grant(s) to LDF Fund  
(in US Dollars)

	<u>Authorized Capitalization</u>	<u>Balance of Loan Funds Available from AID Grant (At end of year)</u>
CY 1979	\$ 5,000,000	\$ 5,000,000
CY 1980	\$ 6,200,000	\$ 3,453,536
CY 1981	\$ 18,573,000	\$ 10,112,488
CY 1982	\$ 18,573,000	\$ 4,398,088
CY 1983	\$ 18,573,000	\$ 112,288
CY 1984	\$ 18,573,000	\$ -0-

LDF Loan Operations

Assumptions reflected in the revised LDF Loan Operations Schedule are as follows:

1. The initial capitalization of the Fund was made in October 1979 in the amount of LE 1,225,000 converted at the rate of \$1=LE.70 or \$1,750,000. Two additional capitalizations were made during 1980 of LE 1,000,000 each. Should the official rate change in the future, additional pounds can be generated from the AID Grant.
2. With the addition to the LDF loan fund of \$12,373,000 per this amendment the total authorized capitalization of LDF is \$18,573,000. Based on the conversion rate assumptions above, this is equivalent to LE 13,001,100.
3. Based on the first operational year of the fund, CY 1980, in which 107 loans were approved, it is assumed for CY 1981 and CY 1982 that a level of 200 loans in each year can be approved. This will call for expenditures of LE 4,000,000 per year or an amount almost double that of 1980. The probable number of loans made will depend on the average size of loans, now about LE 18,000, and the effects of inflation and also on the project mix of loans. The assumption used here is that future loans will average about LE 20,000.
4. The estimated remaining AID financed capitalization remaining after CY 1982 of LE 3,078,600 will be substantially used up during CY 1983 and will cover approximately 150 loans. However, at this point, the balance of loan funds available from interest income and repayments will total about LE 1,987,200. This level, or slightly higher, is estimated in the following and subsequent years so the funds should be self-supporting at least at the level of LE 2,000,000 or 100 loans a year.
5. Loans funded in CY 1984 of LE 2,000,000 are from the remaining AID grant of LE 78,600 and LE 1,921,400 from principal repayments. Principal repayments through 1984 are estimated at LE 2,577,700 which minus the amount loaned in CY 1984 leaves a balance of LE 656,300 from this source.
6. Estimates of interest income available for loan purposes are after deduction of a portion of the interest paid to cover operation expenses of the LDF offices.

7. Except where specifically noted, figures are given in Egyptian Pounds. In stating capitalization and balance of loan funds from AID grant, figures are stated in both Egyptian pounds (page 1) and US dollars (page 2). Since loans, interest and principal repayments are made in pounds, comparisons between years can be assisted by stating all figures in local currency.
8. Although no loans have defaulted to date, it may be necessary to make an allowance for such contingencies in the future. From 1983 onwards, principal and interest payments should average LE 300,000 over new amounts loaned each year. This represents about 3% of the total amount loaned and should prove adequate to take care of any unforeseeable losses.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

FOURTH AMENDMENT

TO

GRANT AUTHORIZATION

Name of Country: Arab Republic  
of Egypt

Name of Project: Development  
Decentralization I

1. Pursuant to Section 532 of the Foreign Assistance Act of 1961, as amended, the Development Decentralization I Project for the Arab Republic of Egypt was authorized on February 16, 1978. That authorization, as amended on March 1, 1978, March 19, 1979, and November 11, 1980, is hereby further amended as follows:

The third paragraph of the Authorization is revised to read:

"I hereby authorize planned obligations for this project of not to exceed Twenty Six Million Two Hundred Thousand United States dollars (\$26,200,000) and One Hundred and Twenty-Five Thousand Egyptian pounds (LE 125,000) in grant funds over the period FY 78 through FY 85, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process".

2. All other provisions of the original Grant Authorization approved on February 16, 1978, and as subsequently amended, remain unchanged.

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M. Peter McPherson

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Date

Revised Budget - Estimated Sub-Obligations by Fiscal Year

ANNEX B

		FY78	FY79	FY80	FY81	FY82	FY83	FY84	TOTAL
Technicians	\$	336,000	18,000	600,000	550,000	450,000	300,000	132,000	2,386,000
	\$ to LE	----	-----	----	100,000	150,000	100,000	50,000	400,000
	USLE	----	75,000	----	----	----	----	----	75,000
Training & Training Equipment	\$	----	157,000	550,000	550,000	600,000	450,000	160,000	2,467,000
	\$ to LE	----	----	100,000	100,000	100,000	100,000	55,000	455,000
	USLE	----	31,200	7,800	----	----	----	----	39,000
Commodities	\$	219,200	69,100	11,700	10,000	----	----	----	310,000
	\$ to LE	----	----	25,000	----	----	----	----	50,000
Research & Evaluation	\$	----	----	10,000	56,700	20,000	20,000	18,300	125,000
	\$ to LE	----	----	12,000	45,000	55,000	55,000	60,000	227,000
Contingency & Inflation	\$	----	----	----	400,000	300,000	290,000	217,000	1,207,000
	USLE	----	----	----	11,000	----	----	----	11,000
Total Independent of LDF capitalization	\$	555,200	244,100	1,308,700	1,836,700	1,675,000	1,215,000	692,300	7,627,000
	\$ to LE	----	106,200	7,800	11,000	----	----	----	125,000
LDF Capitalization	\$ to LE	----	1,250,000	2,857,000	3,643,250	4,343,250	3,343,250	3,136,250	18,573,000
TOTAL	\$	555,200	1,494,100	4,165,700	5,479,950	6,018,250	4,658,250	3,728,550	26,200,000
	USLE	----	106,200	7,800	11,000	----	----	----	125,000





REVISED COMMODITY BUDGET

	FY78	FY79	FY80	FY81	FY82	FY83	FY84	TOTAL
Office Equipment								
\$	21	9	---	---	---	---	---	30
\$ to LE	---	---	---	---	---	---	---	---
Vehicles								
\$	36	231	---	13	---	---	---	280
\$ to LE	---	---	---	---	---	---	---	---
Other General Support								
\$	---	---	---	---	---	---	---	---
\$ to LE	---	---	---	50	---	---	---	50
						TOTAL	\$	310
							\$ to LE	50

ANNEX CSUMMARY OF ORDEV TRAINING PROGRAMS TO DATE

YEARS	NO. Of TRAINEES			TOTAL
	ORDEV	DIPLOMA	TRAINING ABROAD	
1974	80			80
1975	140			140
1976	168			168
1977	163	50		213
1978	238	82	7	327
1979	276	91	7	374
1980	703	36	30	739
1981	561	45	25	631
TOTAL	2329	304	69	2672

## TRAINING PROGRAMS FROM 1974 to JUNE 30, 1981

Year	Type of Programs			Trainees, Their Number and Types											TOTAL
	Dev.	Techn.	Extens.	Chairman of Local Council	Chairman of Pop. Council	Exec. Counc. Members	Pop. Counc. Members	Head of Div.	Members of Div.	Vets.	Agr. Eng.	Archi.	Ast. Agr. Eng.	ORDEV Members	
1974	2			80											80
1975	4			140											140
1976	3			168											168
1977	5			163											163
1978	5			238											238
1979	5	3		132				59	79					6	276
1980	8	9	10	173		13	231	34	44	43	112	11	17	25	703
1981	2	8	10	57		139	200	14	35	14	79		15	8	561
Total	32	20	20	1151		152	431	107	158	57	191	11	32	39	2329

N.B. University professors and knowledgeable persons in the area of development were asked to give lectures.

LOCAL TRAINING

Year	Local Administration Diploma Cairo University Heads of Dev. Div. & Village Heads & Service People	Rural Development Diploma Minia University
1976/77	30	20
1977/78	48	34
1978/79	41	50
1979/80	40	36
1980/81		45
	159	185
	Trainees	Trainees
Grand Total	344	Trainees in both Cairo and Minia Universities

Training Abroad (U.S. and the Philippines)

Year	Candidates to Morehead University	Candidates to the Philippines Local Unit Heads
1978	7	
1979	7	
1980	10	20
1981	9	16
	33	36
Total		

NB. Candidates sent to the U.S. to study Project Planning and Administration at KY University for 7 months.  
Candidates sent to the Philippines to get acquainted with the leading experiments in the field of small-scale industries.

ANNEX D

Impact of LDF Program on Local Government and Rural Populations

As of May 1, 1981, the Local Development Fund (LDF) had made 163 loans to village councils for revenue producing projects in the amount of LE3,065,500. This covers a period of approximately fourteen months from the time the first group of loans were approved.

The Quarterly Progress Reports, however, which are required of borrowers plus field visits by LDF staff do provide such information on all but the most recently approved projects. On the average, 90% of the projects are operational within six months after receiving a loan with about 65% producing income by that time. Sufficient time has not elapsed, however, for any village councils to have reinvested profits or to have spent revenues on social infrastructure or other discretionary projects.

There is underway two activities to devise and utilize evaluation criteria to assess the development impacts of LDF projects. Such a research design is currently in preparation by the Checchi contract team and will be used for intensive data collection on four projects. In July and August. Faculty members from the Blue Grass consortium will produce additional case studies on the impact of LDF activities on villages.

Pending the outcome of these studies, certain preliminary observations have already been noted. Village council members and project managers through orientation training sessions given locally, have received instruction on the principles of planning, approaches in identifying economic projects, determining sources of available funds, and the roles of village council members. Additionally 36 project managers have been sent to the Philippines for training in management of small-scale projects.

It must be realized that the LDF is essentially an additional means of securing funding for economic projects in rural areas. The great majority of rural projects have either been funded by direct grants from ORDEV or are funded by the Governorates. In the past most loans were made to villages which are combined units, meaning that those villages have previously received national government funds for projects. These LDF loans are a unique part of the overall developmental process ongoing in rural Egypt.

What can be assessed, however, is the difference in the relative performance of projects funded on a grant basis and those done through loans. The preparation of the loan application form is in itself a valuable exercise in planning and management. Projects must be more carefully identified and the market for the goods or services determined. Projections of expenses and revenues are generally made for a 7 year period and rates of return are calculated for the grace period, during principal repayment, and, in some cases, after all interest and principal repayments have been completed.

Considerable time is spent by IDF staff and consultants in reviewing and discussing proposals with the prospective village borrowers. What evolves is a much more carefully structured project design than would ordinarily be the case. The further necessity of preparing quarterly income statements and progress reports also serves to discipline the project managers to run a more efficient operation and permits follow-up staff to more readily identify projects which are in need of technical or management assistance.

Most loans repayments are made within a month of the date due. Efforts are being made to increase promptness but basically all borrowers are in conformance. All of the loan payments due during 1980 have been made and none of the loans made is in default. The fiscal discipline imposed by the loan process cannot but improve the ability of village councils in planning and budgeting.

The impact of IDF operations can also be measured by the increase of food production. The 78 poultry projects presently approved (59 broilers, 15 egg production) are estimated to produce in excess of 3,300,000 broilers and 2,700,000 eggs per year. The 42 cattle fattening projects involving 6,400 cattle and sheep per year will produce more than 1,600,000 kgs of meat.

Most of the loans have been for traditional type activities. Active encouragement is being given to moving into other types of activities such as fish farming, food processing, orange cultivation and small-scale industry. Specialized short-term consultants have been or will be advising in these and other areas. By imparting new or improved technology and diversifying the nature of endeavors being undertaken, villages are more likely to choose projects which will generate higher revenues.

As projects have developed, increasing attention has been given to the proper use of incentives. It is felt that if those who are responsible for managing a project can receive a share in the profits, there will be a stronger motivation to run the project efficiently. Unlike the general notion of making "incentive" payments regardless of whether or not on operation is profitable, it is being suggested that such payments be made primarily in terms of profitability.

The LDF approach which is to try to run projects in the manner of a private entrepreneur in order to maximize revenues is very difficult to do within the government framework. Some measure of whether this approach will be successful can be found in the relative improvement in profitability, the willingness to engage in non-traditional activities, and the degree to which increased compensation can be used to reward increased productivity. These are some of the outcomes of the loan approach but a fuller assessment of LDF operations on rural development must await a lengthier period of operation and more extensive scope.

ANNEX E

ENVIRONMENTAL STATEMENT

The Environmental Considerations relative to this Project Paper Amendment remain as determined in the original 1978 Project Paper. Physical environmental effects have been and will continue to be minimal. Effects of a socio-economic nature have been moderate to high. There are reasonable indications that these effects, and their impacts, will continue.

(For further reference, see Environmental Implications, Part III.7 on pages 42 and 43 and Annex I on pages 153-156 of original PP).

5C (1) - COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights?

Not all contemplated assistance will directly benefit the needy. The Department of State has made no determination that the GOE has engaged in a gross violation of human rights.

2. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

No

3. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not dominated or controlled by the international Communist movement?

The Secretary of State has so determined.

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

None of the known claims meet these criteria. The GOE/USG joint commission have reached agreement of such debts.

5. FAA Sec. 620(e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

The Secretary of State has determined that forming the joint commission constitutes taking such steps within the meaning of this section.

6. FAA Sec. 620(a), 620(f), 620D; FY 79 App. Act, Sec. 108, 114, and 606; FY 80 App. Act. Sec. (511, 512 and 513.)

Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos or Vietnam? Will assistance be provided to Afghanistan or Mozambique without a waiver?

No

No

N/A

7. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

The President has not so determined

8. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?

Under 620 (J) the President has not so determined.

9. FAA Sec. 620(1). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?

Egypt has reactivated an OPIC Agreement with the US.

10. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters,

There is no known instance of such acts.

a. has any deduction required by the Fishermen's Protective Act been made?

N/A

b. has complete denial of assistance been considered by AID Administrator?

N/A

11. FAA Sec. 620; FY 79 App. Act, Sec. 603; FY 80 App. Act Sec. (518.) (a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds?

No such default exists. AID and GOE are reconciling the books on minor amounts

12. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems? (An affirmative answer may refer to the record of the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes, and the President has determined that the listed consideration do not inhibit aid to Egypt but that our aid seeks to reduce arms costs and to stimulate economic development.

13. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

Yes, in 1967; relations were resumed in 1974. New Agreements have been made since resumption.

14. FAA Sec. 620 (u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?

Egypt has paid all of its outstanding UN obligations.

15. FAA Sec. 620A, FY 79 App. Act, Sec. 607; FY 80 App. Act, Sec. (521.) Has the country granted sanctuary from proscription to any individual or group which has committed an act of international terrorism? No  
Has the country granted sanctuary from prosecution to any individual or group which has committed a war crime? No

16. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA? No

17. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon State" under the nonproliferation treaty? No  
No

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 102(b) (4). Have criteria been established and taken into account to assess commitment progress of country in effectively involving the poor in development, on such indexes as: (1) increase in agricultural productivity through small-farm labor intensive agriculture, (2) reduced infant mortality, (3) control of population growth, (4) equality of income distribution, (5) reduction of unemployment, and (6) increased literacy? N/A

b. FAA Sec. 104(d) (1); IDC Act of 1979. If appropriate, is this development (including Sahel) activity designed to build motivation for smaller families through modification of economic and social conditions supportive of the desire for large families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development, N/A

assistance to urban poor and through community-based development programs which give recognition to people motivated to limit the size of their families?

2. Economic Support Fund Country Criteria.

a. FAA Sec. 502B. Has the country (a) engaged in a consistent pattern of gross violations of internationally recognized human rights or (b) made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

No

b. FAA Sec. 533(b). Will assistance under the Southern Africa program be provided to Angola, Mozambique, Tanzania, or Zambia? If so, has President waived prohibition against the assistance by determining that such assistance will further U.S. foreign policy interests?

N/A

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

Yes

d. FY 79 App. Act, Sec. 113; FY 80 App. Act Sec. (510) Will assistance be provided for the purpose of aiding the efforts of the government of such country contrary to the Universal Declaration of Human Rights?

No

e. FAA Sec. 620B, P.L. 94-329 Sec. 406. Will ESF be furnished to Argentina or Chile?

N/A

5C (2) - PROJECT CHECKLIST

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

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

A. GENERAL CRITERIA FOR PROJECT

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

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

An "Advice of Program Change" has been prepared for transmittal to congress obligations for the project will not take place prior to 15 days after date of delivery of this notification. (b) The intended obligation for the project is within the level of funds appropriated for Egypt for FY1981.

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

(a) Yes  
(b) Yes, as the purpose of the project is to promote the financial autonomy of rural villages through small villages through small village sub-project it is subject to the requirements of Sec.611 (a) (1).

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

No further legislative action is required to implement the program than action ratifying the signed Project Agreement.

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

Not applicable. Project is not for water or water-related land resource construction.

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

Not applicable. Not a capital assistance project.

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

The project is not susceptible of execution as a part of a regional or multilateral project. Assistance is not expected to encourage regional development programs.

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

A major thrust of this project will be to foster and encourage private initiatives and competition among small rural entrepreneurs working in conjunction with locally elected officials.

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

This project will not per se encourage U.S. trade but to the extent that this project creates and continues to create a demand for small scale agriculture and industrial equipment and to the extent that trade patterns between Egypt and the US continue to grow and expand, we foresee this project having a positive effect on trade patterns.

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

The Project Agreement has so provided.

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

Egypt is no longer a U.S. owned excess foreign currency country.

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

Yes

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

Not Applicable

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

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

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

N/A

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

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

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

N/A

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

N/A

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

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

N/A

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

N/A

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

N/A

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

N/A

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

(iv) reconstruction after natural or manmade disaster;

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

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

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

N/A

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

N/A

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

N/A

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

N/A

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

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

N/A

2. Development Assistance Project Criteria (Loans Only)

N/A

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

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

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

This assistance will promote economic and political stability by involving greater numbers of local village citizens in the governmental process through projects which will benefit their village and their populaces economically and socially.

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Procurement of goods and services will be pursuant to established AID regulations except those goods procured under the loan fund in which case origin requests have been waived.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will commodities be insured in the United States against marine risk with a company or companies authorized to do marine insurance business in the U.S. Yes
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? There will be no such procurement.
5. FAA Sec. 603 Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. Yes
6. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? Consideration will be given to the use of excess property when practical.
7. FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services from private enterprise, be furnished on a Technical services will be procured on a competitive basis in the United States.

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

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

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

Yes

9. FY 79 App. Act, Sec. 105; FY 80 App. Act Sec. [505.] Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States?

Yes

B. Construction

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

N/A

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

Yes

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

N/A

C. Other Restriction

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

N/A

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

The project agreement has so stipulated.

4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, sale, longterm lease, exchange or guaranty of motor vehicles manufactured outside the U.S.?

This section has been waived to permit no U.S. procurement of motor vehicles manufactured outside the U.S.

5. Will arrangements preclude use of financing:

a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization?

Yes

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

Yes

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

Yes

d. FAA Sec. 662. For CIA activities?

Yes

e. FY 79 App. Act, Sec. 104; FY 80 App. Act Sec. [504.] To pay pensions, etc., for military personnel?

Yes

f. FY 79 App. Act, Sec. 106; FY 80 App. Act. Sec. [506.] To pay U.N. assessments?

Yes

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

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

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

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

جهاز بناء وتنمية القرية المصرية  
مكتب وكيل الوزارة

السيد مدير وكالة التنمية الدولية للحكومة الامريكية  
السفارة الامريكية بالقاهرة

تحية طيبة .. وبعد ..

نظرا .. لما حققه مشروع تدعيم اللامركزية ( D.D. 1 )  
للقرى من نجاح ملموس وتقدم ظاهر شهد به خبراء التنمية والتقييم  
بالوكالة وتوكده نتائج التنفيذ والمتابعة .

لذلك نرجو التكرم بالموافقة على تدعيم الاعتمادات المخصصة  
للمشروع بـ ١٥ مليون دولار .. نظرا لان استشارات الجهاز قد  
تضاعفت في تدعيم أنشطة الريف من ٢٨ مليون جنيه الى ٥٥ مليون جنيه  
لعام ١٩٨١م .

ومع تحياتي وتقديري ..

أرجو أن تتفضلوا بقبول وافر الاحترام ..

وكيل الوزارة

مدير الجهاز

المراسل  
١٩٨١ / ٦ / ٢١

( مهندس / احمد الدفراوى )

في : / / ١٩٨١م .

ANNEX G

TRANSLATION

O.R.D.E.V  
Office of the Undersecretary

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Director of USAID  
American Embassy  
Cairo

Due to the demonstrated success of the DDI Project which is further supported by the results of our implementation and evaluation activities, we would like to request AID to increase project funding by an additional US\$15.0 Million. We also like to mention that ORDEV contribution to rural development has increased from LE 2.8 Million to LE 5.5 Million in 1981.

Sincerely yours,

/s/

Ahmed El Difrawy  
Undersecretary  
General Director  
ORDEV  
6/2/81