

INTERNATIONAL DEVELOPMENT  
COOPERATION AGENCY

Agency for International Development

Washington, D.C. 20523

Project Paper Amendment No. 1

Egypt

Management Development for Productivity

Industrial Productivity Improvement

Project No. 263-0090

Including Subproject  
Innovative Productivity Activities

Subproject No. 263-0090.4

Grant

1981

**USAID Project Committee**

**James Riley, Chairperson**  
**John Blackton**  
**Richard Williams**  
**Bunyan Bryant**  
**John Chang**  
**Richard Layton**

**S&T**  
**PRM**  
**IDPS**  
**LEG**  
**PRO/ECON**  
**CON**

**AID/W Project Committee**

**Thomas McDonough, Chairperson**  
**Bert Porter**  
**Sid Chernenkoff**  
**Mona Hammam**  
**Keith Brown**  
**Ted Carter**  
**Frank Method**

**NE/TECH/HRST**  
**NE/EI/E**  
**NE/DP**  
**NE/TECH/SARD**  
**NE/PD/E**  
**GC/NE**  
**PPC/ DPR/HR**

**USAID Project Approval Officer**

**Donald Brown**

**Director**

# INDUSTRIAL PRODUCTIVITY IMPROVEMENT

## TABLE OF CONTENTS

	<u>Page</u>
Executive Summary	i
Table of Contents	
I. PROGRAM BACKGROUND	1
II. PROJECT DESCRIPTION	6
A. Management Development for Productivity (Subproject 0090.1, also see separate project description document)	6
B. Industrial Technology Application (Subproject 0090.2, also see separate project description document)	9
C. Vocational Training for Productivity (Subproject 0090.3, also see separate project description document)	13
D. Innovative Productivity Activities (Subproject 0090.4, description included herein)	16
III. PROJECT STRUCTURE	18
A. Project Level	18
B. Subproject Level	22
C. GOE Implementation Responsibility	24
IV. PROJECT FINANCIAL PLAN	25
A. Sources and Application of Funds	25
B. Subproject Financial Plans	27
Table 1: Project Costs and Financial Plan	28
Table 2: Subproject #1 Cost and Financial Plan	29
Table 3: Subproject #2 Costs and Financial Plan	30
Table 4: Subproject #3 Costs and Financial Plan	31
Table 5: Subproject #4 Costs and Financial Plan	32

V. PROJECT EVALUATION PLAN Page  
33

PROJECT PAPER ANNEXES:

A. Log Frame	A-1
B. GOE Request	A-2
C. Project Authorization, Amendment I	A-3
D. Congressional Advice of Program Change	A-10
E. Environmental Clearance	A-13
F. Project Agreement Amendment	A-14

INDUSTRIAL PRODUCTIVITY IMPROVEMENTEXECUTIVE SUMMARY

**PROBLEM:** A quarter century of increasingly centralized planning of industry, coupled with administratively determined prices (as opposed to market determined prices) for virtually all industrial inputs from labor and capital to raw materials and virtually all industrial outputs has institutionalized low levels of efficiency in most Egyptian industrial enterprises. Both public and private sector firms have operated in an environment where traditional pricing signals were muffled or absent. The sector is characterized by productivity weaknesses of many kinds:

- on the shop floor:  
too many workers with the wrong sets of skills working in inadequate supervisory structures.
- on the production line:  
technologically inefficient or inappropriate production equipment, poorly selected and poorly maintained. Input wastage.
- in the warehouse:  
excessive inventories (both feedstock and product) reflecting weak planning, uncertainty of input availability, physical rather than financial accounting modes
- at the financial level:  
subsidized production inputs (energy, raw materials, etc.) combined with high tariff protection and cheap capital, all leading to inefficient allocations
- in the executive suite:  
a few highly skilled managers stretched far too thinly over tiers of less skilled and less motivated middle managers and supervisors

It has been estimated that a 5 percent overall improvement in public sector manufacturing alone would yield an annual dividend of about US \$1 Billion if three conditions were met:

capital efficiency: 5% reduction in the real capital output ratio (i.e., improved capacity utilization)

input efficiency: 5% reduction in the quantity of production inputs (energy, raw materials) per unit output through better waste management and cost accounting.

labor efficiency: 5% reduction in the number of employees required to man each plant (i.e., more efficient use of better skilled labor).

Obviously any such dividend from increased efficiency of public sector companies could have a dramatic effect on the availability of resources for new development purposes.

#### STRATEGY:

This project capitalizes on the broad consensus among Egyptian managers (public and private) that the "Open Door" policies are sufficiently advanced to permit major attacks on constraints to industrial productivity. It is organized around a recognition that the sources of inefficiency and therefore the routes to improved productivity are multiple and interdependent. A coordinated approach to improvements in industrial management, industrial technology and labor skills forms the strategic centerpiece of the project. Responding to Egyptian industrial needs is not, however, a one-shot or static process. The project, therefore, provides funding to support small scale innovative activities in the industrial sector aimed at productivity gains as the opportunities for these interventions arise.

#### INPUTS:

The project consists of four technical assistance activities which support and augment the mission's extensive capital investment in the sector:

	<u>AID (\$000's)</u>	<u>GGE</u>	<u>TOTAL (\$000's)</u>
Subproject 0090.1 Management Development for Productivity	8,500	3,008	11,508
Subproject 0090.2 Industrial Technology Application	10,000	4,576..	14,576
Subproject 0090.3 Vocational Training for Productivity	17,500	5,500	23,000

	<u>AID (\$000's)</u>	<u>GOE</u>	<u>TOTAL (\$000 s)</u>
Subproject 0090.4: Innovative Productivity Activities	<u>3,000</u>	<u>1,000</u>	<u>4,000</u>
	<u>39,000</u>	<u>14,084</u>	<u>53,084</u>

Each of these four technical assistance activities will involve U.S. and Egyptian business professionals in detailed work with Egyptian firms (private and public). Where appropriate, firms will be referred among the four Subprojects (e.g., if a productivity audit under the management activity reveals basic technology problems in an Egyptian food processing firm, they will be referred to the technology Subproject). AID financing will bring international quality business consulting inputs to the best Egyptian firms. The overall aim of the program is to leave behind a more efficient set of public and private manufacturing enterprises and to build a permanent set of Egyptian institutional capacities to provide world-class technical consulting in key areas of productivity (management, technology, manpower development). In an environment where AID is already making heavy resource transfers, this project seeks to make sector-wide transfers of business technology and build sector-wide institutional capacity to continue this technological development.

RECOMMENDATION:

USAID/CAIRO recommends that the Administrator approve this document which formally amends the project paper for project 263-0090 (Management Development for Productivity). The amendment adds grant funds totalling \$30.5 Million to the project and retitles the project Industrial Productivity Improvement. The amended and retitled project consists of the four technical assistance activities described above. The restructured project permits efficient mission coordination of productivity-related industrial TA to insure maximum sectoral impact.

SUMMARY OF AID FINANCED INPUTS BY ACTIVITY AND INPUT CLASS

(US \$000's including inflation &amp; contingency)

	<u>I</u> <u>(MGMT)</u>	<u>II</u> <u>(TECH)</u>	<u>III</u> <u>(VOCED)</u>	<u>IV</u> <u>(INNOV)</u>	<u>TOTAL</u>
Technical Assistance	6,420	8,385	12,351	1,600	28,756
Training	986	776	2,304	1,000	5,066
Commodities	775	337	2,500	300	3,912
Evaluation & Performance Monitoring	307	500	345	100	1,252
Miscellaneous & Rounding Factors	12	2	--	--	14
<b>TOTALS</b>	<b>8,500</b>	<b>10,000</b>	<b>17,500</b>	<b>3,000</b>	<b>39,000</b>

INDUSTRIAL PRODUCTIVITY IMPROVEMENT

---

1. PROGRAM BACKGROUND

Egypt seeks fundamentally to restructure and rebuild its industrial sector over the 1980 s. The 1970 s witnessed dramatic and sometimes painful political and policy changes which served as the necessary precursor to structural change in the sector. The most dramatic and (for a time) the most controversial of these political changes was the public renunciation of a highly centralized, socialistic and public sector dominated economy to a public commitment of Egypt - in both domestic and international fora - to a liberalized mixed economy in which private sector participation in both trade and industry would play an important role and in which foreign investment and foreign technology would be harnessed in support of national economic development.

Many - both within and without Egypt - optimistically overestimated the rapidity with which the rhetoric of liberalization could be translated into reality.

With the advantage of hindsight, it is not surprising that considerable time was required simply to achieve

popular and bureaucratic acceptance of Egypt's radically redefined economic policies and objectives. Equally, it is not really surprising that a quarter century's effort in building institutions, legislation and staff for a centrally planned state industrial sector would not be easily undone nor easily replaced.

If the 1970 s were the years of political restructuring, the 1980 s are to be the years of institutional restructuring. Among both politicians and technocrats there is a sharpened awareness that Egyptian industry requires new structures, new systems and new institutions to place it a strong a competitive position regionally and globally. The constraints to growth and productivity in Egyptian industry today are legion. A partial listing of structural and institutional constraints would touch on topics in such areas as:

- industrial management
- industrial engineering
- industrial technology
- manpower skills on the workshop floor
- supervisory manpower skills
- industrial finance
- Equipment and plant maintenance

- input and output pricing policy
- industrial investment incentives
- import and export regulations
- industrial legislation
- taxation and regulation of industry
- environment and worker safety
- industrial infrastructure (incl power, transport, communications)
- etc.
- etc.

USAID's involvement in the industrial sector since 1975 has been extensive. We have directly financed major new plant investment in textiles, cement, pipe production, etc. We have established a structure for substantial rehabilitation of major public sector industrial plant capacity. Our commodity financing has provided substantial quantities of industrial chemicals, industrial raw materials, and industrial equipment and spares to both public and private sector firms. We are supporting technical assistance to the GOE in areas such as tax policy, industrial free zones, development banking, capital market operations, etc. Both on the capital and technical assistance sides we have made some major inroads against discrete obstacles to industrial development.

in Egypt. But there is a broad consensus among Egyptian and American observers that significant generic problems continue to constrain growth and productivity improvements within the sector.

Over the past twelve months this consensus has been articulated by the Egyptian Ambassador in Washington, by the Egyptian Minister of Industry, by Deputy Prime Minister Meguid and on the American side by senior officials from both AID and the Department of State. The underlying theme of this position is that a development effort of the scope and scale which the U.S. and Egypt are jointly mounting poses problems and issues which transcend the compass of conventional AID projects and programming tools. The structural and institutional characteristics of the industrial sector as whole are dynamically interdependent upon one another - new technologies pose new management demands, new management systems demand altered performance from the workers on the shop floor, the rigors of the export market demand new levels of quality control and new production technology. Single USAID-financed project interventions can never adequately encompass the full range of these complex and changing interactions across

the full spectrum of the Egyptian industrial sector. Unforeseen requirements arise which fall outside the scope of ongoing projects and the ongoing projects themselves give rise to new needs as a byproduct of their own success.

From both the Egyptian and AID perspectives, there is substantial merit to the establishment of sectoral program tools which will permit faster, more flexible and more integrated technical assistance to relieve constraints to growth and productivity in the Egyptian industrial sector.

This PP amendment outlines the framework within which USAID CAIRO intends to manage and coordinate sectoral technical assistance for public and private sector industry. The framework proposed is in no way intended to replace or diminish discrete, targeted project assistance (both capital and technical); rather, it is intended to direct technical resources rapidly and effectively in those generic areas of the sector where the project mode is inherently insufficient. This is the second sector (Energy was the first) where we have determined that sectorally structured TA is an appropriate supplement to our project portfolio.

## II. PROJECT DESCRIPTION

The Project, entitled Industrial Productivity Improvement is a management framework for sectoral technical assistance activities. It provides a setting for technical and financial management of discrete (but integrated) packages of activities directed to particular sectoral constraints. The principal elements of RCIP are four at this time;

- Subproject I: Management Development for Productivity
- Subproject II: Industrial Technical Application
- Subproject III: Vocational Training for Productivity
- Subproject IV: Innovative Industry Sector Activities

The first three of these are fully described in PP documents which are subsumed within this PP amendment as annexes. A summary recap of the three illustrates the conceptual inter-relations among the activities, the Fourth Sub-Activity is described in Part IID below. Other discrete Sub-Activities may be defined in the future. If this should occur, they would be justified through the normal PID/PP amendment process.

### (A) MANAGEMENT DEVELOPMENT FOR PRODUCTIVITY (SUBPROJECT I)

The goal of the Management Development for Productivity subproject (MDP) is to increase Egyptian industrial organization effectiveness particularly in terms of productivity. The purpose of the MDP subproject is to improve management in 40 to 60 public and private sector business organizations, and to increase the demand for, and the supply of effective management and organizational development services in Egypt. To accomplish this, the MDP will train key managers in selected firms and industries, assist them in applying what they

learn to solve organizational problems in their companies, and send some of them on short missions to the U.S. in issue-oriented, industry-specific task forces.

An Advisory Committee consisting of senior representatives of the Egypt-U.S. Business Council (EBC), the Ministry of Industry and the Ministry of the Economy will provide overall guidance to the MDP and play a key role in selecting the industries and firms in which increased effectiveness will have the greatest overall impact on the economy. MDP implementation will be the responsibility of an American-Egyptian team provided by a U.S. contractor working with one or more Egyptian sub-contractors and/or professional specialists. Professional personnel inputs will consist of 49 person - years, approximately half U.S., half Egyptian. The latter will include university-affiliated staff on a part-time basis.

The principal activity of the MDP will be a series of sequential and overlapping 33 week cycles of management and organizational development services to selected companies. Each of these cycles will focus on a specific industry and will combine in-company management surveys, classroom training for groups of managers from each company, and on-the-job assistance to participating managers in solving specific organizational problems. A fee will be charged for the service from the start.

Approximately twenty to twenty-five overlapping and sequential cycles will be programmed in the four and a half years of Subproject I., thus permitting forty to sixty companies to participate. From this target group of companies, the project will train and assist some 500 to 600 key managers.

The training and linked consultancy in Egypt will be complemented by sending 10 to 15% of the participants in small industry-specific teams to undertake issue-centered study visits to firms in the U.S. for one month. They will report back to their industries in Egypt on the way U.S. firms cope with the issues in question, giving their views as to what lessons and technology are appropriate for adaptation and use in Egypt.

Case Studies and an Egypt-specific management simulation will be developed as part of the project. They will be used in MDP training activities and will be made available to local management faculties and training centers.

During the life of the project, activities and results will be continually communicated to the business and management education communities through channels such as industry associations, professional meetings, and the mass media. The aim of this communication will be both to inform various groups and to stimulate demand for the services of this project.

It is expected that by the end of the MDP there will have been significant improvements in the economic performance and the management processes in the target organizations, that one or more private and/or public organizations will be offering similar organization-oriented training and consultancy services with competent staff on a regular basis and that there will be significant use of such services in the industrial sector.

The MDP is divided into two phases. The first phase consists of the initial three year period, during which the US contractor will develop a plan for the institutionalization of the process for modernizing business management in Egypt through consulting services and training. That plan then will be used by the US contractor, the GOE and AID to develop the second phase of the activity emphasizing institutionalization. The bridge between the two phases is expected to be a gradual one based on experience derived during the first three years.

(B) INDUSTRIAL TECHNOLOGY APPLICATION (SUBPROJECT II)

The goal of the Industrial Technology Application subproject (ITA) is increased production and employment resulting from improved industrial productivity and expansion of the

industrial sector. The purpose of the ITA is (1) to help public, private and joint venture industrial firms to make more productive use of technology, and to identify, assess and introduce new and suitable technology in an effective manner and (2) to institutionalize Egyptian capacity to provide such services.

The problem which the ITA addresses is the absence of an accessible, credible source through which businessmen can find useful information or technical assistance at a reasonable price to help them solve technological problems and/or identify and exploit technological opportunities. It is a significant problem that grows in importance as Egypt's business community tries to respond to the opportunities and pressures of the post-1974 liberalization policies.

The ITA will provide information and technical assistance to the Egyptian public and private industrial sector starting as a first step with in-firm diagnostic studies. This will be followed up by providing technical information

and helping industrialists identify and arrange for assistance from qualified Egyptian specialists. When the latter cannot be identified, assistance will be obtained from U.S. specialists. Services will be provided to financial

and other institutions serving the industrial community, as well as to members of that community. In addition, the ITA includes a campaign to increase general awareness of technology and the benefits available from systematic selection, improvement and proper use of it. It will spotlight developments likely to be of particular interest to Egyptian industry and generally promote project services. Finally, to ensure that the services are institutionalized, ITA activities will include training for staff involved in service delivery, and consultancy services to strengthen overall management and central support services of the implementing agency.

The ITA will be implemented by a unit to be created within the Engineering and Industrial Design and Development Center (EIDDC) of the Ministry of Industry and Mineral Wealth. The new unit-tentatively ITAP: Industrial Technology Application Program will have field staff in Alexandria, Upper Egypt and at least one other location, as well as field and data resource staff in Cairo. Professional Egyptian staff will increase from seven at the start to at least sixteen by activity completion. EIDDC/ITAP will be assisted during most of the life of the project by a technical assistance team of three industrial engineers, including a team manager, and for two years by a technical information specialist. AID will finance a host-country contract for this team, short-term U.S. and Egyptian technical assistance at the

level of approximately 70 p.m. s for U.S. personnel and up to 150 p.m. s for Egyptian personnel, U.S. and in-country training (150 p.m. s), documentation and access to formal and informal information networks as well as commodity procurement such as vehicles, and office equipment. Funds will be obligated for the full five years. GOE will fund costs of EIDDC personnel, office space, support staff for ITAP, staff incentives, most operating costs in Egypt, support from other EIDDC departments and other Ministry agencies, support EIDDC management and support staff services. ITA clients will pay a fee for services received. Nominal at the start, the fee will gradually be raised and its revenues increasingly used to take over local costs from AID and AID-related sources in such a way that fee revenues will fully finance ITAP by the end of the project.

(C) VOCATIONAL TRAINING FOR PRODUCTIVITY (SUBPROJECT III)

Subproject III, . Vocational Training for Productivity (VTP), supplements the efforts to improve management and technology in Egyptian industry by addressing a third constraint to productivity: the quality of skilled manpower. The VTP activity aims at improving the quality and relevance of industrial skills that in combination with management and technology have a critical impact on industrial growth productivity and efficiency. The VTP will strengthen the Ministry of Industry and Mineral Resources' (MOIMR) ability to equip entry level workers with skills required by employers, upgrade the skills of employed workers; respond to company specific training problems; and establish skill standards and appropriate trade tests. During the activity special attention will be given to assisting the private sector and increasing skilled employment opportunities for women. The VTP will be initiated in two contiguous pilot regions, Alexandria and the Middle Delta; but emphasis will be given to extending positive experience to the entire country as soon as possible during the life of the project.

The activity will provide approximately 620 months of long and short term technical assistance, about 403 months of

participant training and approximately \$1.9 million of commodities. The AID contribution is \$17.5 million. The GOE contribution is \$5.5 million. The VTP will directly support other GOE efforts to improve the Productivity and Vocational Training Department's (PVTD) vocational training system such as building new centers and re-equipping existing centers through World Bank and African Development Bank Loans II and III valued at approximately \$26 million. AID assistance will also strengthen the PVTD's capacity to determine precise equipment needs for the Bank's Fourth Educational loan, now being planned. Technical assistance provided by AID will include analysis of industrial training needs, establishment of instructional competencies and skills standards, preparation of curriculum and instructional materials, instructor training, in-plant training assistance and strengthening PTVD management. Short-term participant training will cover industrial training directors and first line managers as well as upgrading of PVTD staff. Commodities will include equipment to fill training center inventory gaps identified through task analysis, establishment of audio-visual production and delivery capability, materials to increase the amount of practical training, small amounts of training equipment and materials for individual companies, and equipment to establish advanced or specialized training programs in industrial companies.

The Mission recognizes that many of the problem Egyptian vocational training system are complex and need to be more closely examined. Past studies, though valuable in many ways, did not (or perhaps could not) address specific problems which may now exist. Since the Egyptian economy and managerial methods of dealing with it are still rapidly changing, gaining clear definite articulation of need is often difficult. The VTP recognizes this problem and is designed to take advantage of the best available information concerning vocational training needs. However, it also recognizes that much information about industry needs and the PVTD system must still be generated and acted upon. Rather than wait for studies to be designed and completed, the design has incorporated a dynamic needs assessment process which will actively become an essential element of problem identification and resolution. Furthermore, developing the VTP actively recognizes that companies have immediate training problems that must be resolved. In essence, further problem definition will occur in an operational environment with a capability in the project to develop appropriate innovative responses to those needs of problems.

(D) INNOVATIVE INDUSTRIAL ACTIVITIES (SUBPROJECT IV)

This subproject is designed to give the USAID and the GOE flexibility in identifying and responding to other important constraints to industrial productivity. The pace and extent of structural change in the sector highlight new problems and expose new opportunities for creative interventions to improve sectoral productivity. In some cases these new opportunities may warrant small, experimental or pilot-type interventions to test the efficacy of more substantial efforts. In other cases, the level of effort warranted to respond to a particular industrial issue may be quite modest, and timeliness may be far more important than the magnitude of the effort. To consider a hypothetical example, as the private Egyptian cement producers face relatively rapid adjustments from subsidized fuel to market priced fuel there may be a strong interest in targeted short term TA in the area of energy cost control systems for the cement industry. The funding available under the Innovative Subproject would provide a mechanism for quick, targeted response to the problem.

One area where the Mission anticipates use of these funds is the development of integrated diagnostic tools which build on the experience of the management, technology and manpower diagnostic work of the activity contractors. Recognizing that productivity is ultimately not a single measure (some variation of an input/output ratio) but rather a "family" of related measures, we anticipate the need for multi-variable diagnostic tools to assist in clarifying productivity problems in Egyptian enterprises or subsectors which suffer from complex, multi-casual efficiency constraints.

The Innovative Industrial Activities would also provide a vehicle for the conduct of studies and analytic work in the area of industrial productivity. As we increasingly engage the Egyptians in the broad process of transition

from a "materials balance" approach to industrial investment to a market-oriented approach, issues of productivity and efficiency will be at the heart of the process. The innovative activities funds can be used to support initiatives such as developing performance and productivity criteria for public enterprises, adapting international cost-accounting techniques to Egyptian accounting formats, or even small experiments in quality control technique or "productivity circles". Another example - IBRD has worked out a Small Scale Enterprises Credit program with the Development Industrial Bank -) but it is dependent on some supporting TA, the costs of which IBRD would like to share with A.I.D. If we were to do this, it could have a significant impact on use of IBRD resources for SSE. It is impossible to detail the precise kinds of small initiatives which might be supported, precisely because the purpose of this subproject is to give us the capacity to respond to new issues and new opportunities in the area of industrial productivity. Two strong candidates are (1) a contract for business consulting services with the IESC and (2) technical assistance inputs for the IBRD Small Scale Enterprise Project. An illustrative breakout of the subproject.

is provided below simply as an indication of the probable ranges of activities, not as an actual listing of currently planned activities:

HYPOTHETICAL BUDGET FOR INNOVATIVE ACTIVITIES  
\$3 Million over 5 years

	<u>\$ Per Year</u>	<u>\$ Life of Project</u>
<u>Consultant Teams</u> 3 teams per year @ \$12,000/pm	\$110,000	\$540,000
<u>In-Plant Pilot Productivity Activities</u> 4 @ \$125,000	\$100,000 (avg)	\$500,000
<u>Industrial Productivity Studies</u> 2 @ \$50,000 2 @ \$80,000	\$ 52,000 (avg)	\$260,000
<u>IESC Contract</u>	\$100,000	\$500,000
<u>TA Support to IBRD Small Enterprise Project</u>	\$100,000	\$500,000
<u>Training, Observation, Conferences</u> In Egypt: \$25,000/yr Offshore: LT 20 Pyrs ST 100 Pmos	\$140,000	\$700,000

\$ 3 Million

### III. PROJECT STRUCTURE

The structure of the project has two tiers: project structure and activity structure. The project structure provides for overall coordination and management of the sectoral activities both within the USAID and between USAID and the GOE. The activity structures vary with the purpose and scope of the subactivities and the level at which day to day project monitoring and Handbook III responsibilities are exercised. The details of activity monitoring for Subprojects I, II, and III are provided beginning on p. 22 of this PP Amendment. This paper outlines project structure and the activity structure for Subproject IV: Innovative Activities.

#### (A) PROJECT LEVEL

The Project is based upon an overall agreement among four parties: The Deputy Prime Minister for Economic and Financial Affairs, the Ministry of Industry, the Ministry of Economy and USAID. The MOI is the principal operating counterpart for the first three subprojects. The Ministry of Economy is the principal operating counterpart for Subproject IV. Each of the subprojects is structured with

counterpart relations with some element of the MOI (in Subproject I, the MinEcon and Joint Business Council are also counterpart parts). "Implementing Agency" responsibilities as defined in Handbook III are described in the Subproject annexes. The overall project has no "implementing agency" requirements other than those agreed to within the subproject agreements with the GOE.

Within USAID, management of the project is assigned to the Assistant Director for Industry and Trade (AD/IT) or to his designee. The project manager will have three distinct roles:

- (A) Serves as chairman of the Project Coordinating Committee comprised of all the subproject managers. His responsibilities in this capacity are advisory rather than executive). Day-to-day activity management (both technical and financial) rests with the designated subproject managers. The Chairman of the Committee of Coordination is responsible for the development of procedures which insure the effective flow of information among the subprojects variously between USAID activity managers, among activity contractors, and among Egyptian corporate clients of the subprojects.

(B) Directly manages Subproject IV: Innovative Activities

with all regular Handbook 3 responsibilities;

(C) Serves as the manager of the overall project

in matters regarding the operation of the project as distinct from its subprojects (e.g. is responsible for inter-activity fund transfers, review of project financial status, observance of project deadlines such as the PACD, periodic submissions of PES documents, and any amendments which may alter either project purpose or project funding levels). The Project Manager clears all scopes of work and subobligating documents (PIO/T s, PIC/P s, PIO/C s, contracts etc), and insures conformity with the overall intent of the project.

The project coordinating committee is comprised as follows (staff elements of the Mission participants as appropriate):

- Project Manager(IT) Chairman

- Activity Manager (MDP- Subproject I)

- Activity Manager (ITA-Subproject II)

- Activity Manager (VTP-Subproject III)

This committee is responsible for insuring free and full information flows among the subactivities. The exercise of these responsibilities may involve, inter alia:

- regularly scheduled coordination meetings in the USAID
- systematic exchange of reporting documents among the committee members.

- development of agreed sectoral and subsectoral priorities for the subactivities (eg food processing could be identified as a priority target for management, technology and vocational inputs).
- development of procedures for a common data base for the subactivities and their respective contractors
- coordination of subactivity evaluations
- developing proposed mechanisms for interrelating Egyptian public aid private sector coordination among the subactivities to assure most effective linkages.
- regular meetings among the Subproject contractors
- systematic exchange of reporting documents among the Subproject contractors
- conferences, meetings or seminars involving the client firms of the Subprojects.
- systematic referral procedures to direct clients of one subproject to another subproject as appropriate.

(B) SUBPROJECT LEVEL PROJECT STRUCTURE

Each Subproject will be managed and monitored by a designated activity manager. At present these designations are as follows:

- Subproject I: Office Director HRDC/S&T or designee
- Subproject II: Office Director HRDC/S&T or designee
- Subproject III: Office director HRDC/EDU or designee
- Subproject IV: AD IT or designee

These subactivity management designations can be reassigned by the Director, USAID as appropriate. The subproject manager will normally be responsible for the following:

1. Prepares (or arranges for preparation of) the PIO/T and related scope of work and assures its appropriate clearance and issuance to initiate the contracting or grant process; after approval by the Project Officer.
2. Participates in the process of selecting the contractor
3. Reviews and clears the draft contract, grant or cooperative agreement and recommends approval to the Project Officer by action memorandum;
4. Participates in/or monitors GOE negotiations with the prospective contractor
5. Maintains personal liaison with the contractor following award of the contract or grant;
6. Monitors the substantive and technical performance of the contractor

7. Assures compliance by the contractor with the terms of his contract and arranges for corrective action for any deficiencies;
8. Analyzes and comments upon reports required from the contractor or grantee; and insures their circulation to the Coordinating Committee & other contractors;
9. Administratively approves contractor or grantee voucher submitted for payment;
10. In consultation with the Project Officer and Contract Officer, assures that scope of work, PIO/Ts, and contracts are revised as necessary so as to reflect agreed upon changes in contract implementation;
11. Evaluates the performance of the contractor; participates with USAID evaluation staff in activity evaluations. Participates in the preparation of the Project Evaluation Summary (PES) in those areas relating to the subactivity;
12. Assures that all relevant documents and correspondence are maintained in the contract or grant file;
13. Makes periodic visits to the site of the project or activity and prepares the standard USAID/Cairo site reports on a scheduled basis.

14. Serves on the Project Coordinating Committee;
15. Participates in sectoral activities sanctioned by the Coordinating Committee such as seminars, meetings and joint-reporting efforts which involve the contracts and counterparts of other project subactivities;
16. Insures that contractors and counterparts of the subproject are fully and regularly apprised of substantive actions in the other subactivities.

(C) GOE IMPLEMENTATION RESPONSIBILITY

The project agreement will be signed by the Deputy Prime Minister for Economic & Financial Affairs, the Minister of Industry and the Minister of State for Economy. Project level implementation responsibility for achieving overall project objectives of relieving constraints to industrial productivity is shared between these two operating ministries (although there are also public sectors companies operating under the aegis of other ministries - eg building materials under Ministry of Housing - which will benefit from the work of each of the four Subprojects. All the financing in the project is tied to subprojects, and each subproject has specific GOE implementation responsibilities:

Management Development (Subproject I)

Signatory Ministries: (1) Deputy PM, (2) Economy

Implementing body: Project AdCom (MinEcon, Joint  
Business Council, Ministry of Industry)

Industrial Technology (Subproject II)

Signatory Ministries: (1) Deputy PM, (2) Economy and (3) Industry

Implementing body: Engineering and Industrial Design  
Center of the Ministry of Industry

Vocational Training (Subproject III)

Signatory Ministries: (1) Deputy PM, (2) Economy, (3) Industry

Implementing body: Productivity and Vocational Training  
Department, Ministry of Industry

Innovative Activities (Subproject IV)

Signatory Ministry: Economy

Implementing body: As appropriate

IV. PROJECT FINANCIAL PLAN

(A) Sources and Application of Funds

The total cost of the project is estimated at \$53,084,000. Of this cost AID will provide \$39 Million, and the GOE will provide a slightly more than \$14 million in local currency equivalent. GOE contribution will be both financial and in kind and will include a range of user-fees charged to participating companies. The

strategy of charging user-fees instead of leaving all counter-part costs to be met from ministry budgets is an important element of the project strategy to promote corporate efficiency and productivity. Assigning financial costs to inputs (including technical assistance) is an important educational component of the project strategy.

The project will have an initial five year implementation during in FY 1982 and continuing until FY 1986. However, dependent on whether additional subprojects are added at a subsequent date (and on whether any of the presently defined subproject should subsequently be extended), there could be a longer time frame involved. The disbursement schedules for the four subprojects are detailed in the subproject annexes. Each subproject involves a specific GOE implementing agency and has a specific agreed-upon financial plan. All of the plans are summarized in this umbrella document, and the project makes provision for transfer of funds between subprojects when the project management and mission management deem this necessary. Inter-activity transfers are not certain, but rather a contingency provided for in the event of changes in project environment so substantial as to warrant internal reallocation. The financial plans provided in the subproject annexes represent the Mission's best judgment of the LOP costs for each activity.

AID funds will be used for all estimated foreign exchange requirements. These total approximately \$31 million or almost 60% of total project costs. Approximately \$9 million of AID financing will be used for local currency expenditures. These funds will support such items as contractor offices, remuneration of Egyptian professional contract staff, baseline studies, policy research, case development costs, and in-country evaluation expenses.

(E) Subproject Financial Plans

The Mission has carefully reviewed the financial plans for each subproject and judges these plans to be comprehensive and sound. Each subproject has been judged to be financially viable, and the Mission has determined that the overall objectives of the project can be achieved within the costs and timeframes allowed for in the project.

Five tables are provided to summarize the financial structure of the project. Additional financial details are incorporated in the subproject annexes.

The five tables herein are as follows:

TABLE ONE: PROJECT SUMMARY COSTS AND FINANCIAL PLAN

TABLE TWO: SUBPROJECT I COSTS AND FINANCIAL PLAN

TABLE THREE: SUBPROJECT II COSTS AND FINANCIAL PLAN

TABLE FOUR: SUBPROJECT III COSTS AND FINANCIAL PLAN

TABLL FIVE: SUBPROJECT IV COSTS AND FINANCIAL PLAN

TABLE I

PROJECT: INDUSTRIAL PRODUCTIVITY IMPROVEMENT

SUMMARY COST ESTIMATE AND FINANCIAL PLAN (Summarizes Activity Financial Plans)

PROJECT No. 263- 0090.

(U.S. \$000'S)

	<u>AID</u> <u>( FX+LC )</u>	<u>GOE</u> <u>( LC )</u>	<u>TOTAL</u> <u>( FX + LC )</u>
SUBPROJECT I (Management)	8,500	3,008	11,508
SUBPROJECT II (Technology)	10,000	4,576	14,576
SUBPROJECT III (Vocational)	17,500	5,500	23,000
SUBPROJECT IV (Innovative Act.)	3,000	1,000	4,000
PROJECT TOTAL	<u>39,000</u>	<u>14,084</u>	<u>53,084</u>

TABLE 2

SUBPROJECT I: MANAGEMENT DEVELOPMENT FOR PRODUCTIVITY

SUMMARY COST ESTIMATE AND FINANCIAL PLAN  
( \$000 )

SOURCE	A I D			GOE *	OTHER GOE	COMBINED		
	FX	LC	TOTAL			FX	LC	TOTAL
<u>USE</u>								
<u>DIRECT PROJECT</u>								
Tech. Assist.	3,612	816	4,428	1,116	---	3,612	1,932	5,544
Sp. Tr. Comp.	420	265	685	---	443	420	708	1,128
Off. Fac. & Equip	40	495	535	---	---	40	495	535
Eval. & Surveys	83	129	212	---	---	83	129	212
<u>Total Direct</u>	<u>4,155</u>	<u>1,705</u>	<u>5,860</u>	<u>1,116</u>	<u>443</u>	<u>4,155</u>	<u>3,264</u>	<u>7,367</u>
<u>Indirect</u>	---	---	---	---	238	---	238	238
<u>Contingency</u>	314	128	442	84	50	314	262	576
<u>Inflation</u>	1,207	991	2,198	655	422	1,207	2,068	3,275
<u>Project Total</u>	<u>5,675</u>	<u>2,824</u>	<u>8,500</u>	<u>1,855</u>	<u>1,153</u>	<u>5,676</u>	<u>5,832</u>	<u>11,508</u>

\* Fees charged to particular companies

TABLE 3

SUBPROJECT II: INDUSTRIAL TECHNOLOGY APPLICATION

SUMMARY COST ESTIMATE AND FINANCIAL PLAN

Inputs	AID		GOE		TOTALS		TOTAL
	FX	LC	LC	FX	LC		
I.a. Per, LT & Support	1,658	374	331	1,658	705		2,363
I.b. Per, ST &							
1. U.S.	790	270	-	790	270		1,060
2. Egyptian	-	346	71	-	417		417
II. Services	675	-	-	675	-		675
III. Info. Dis.	81	181	-	81	181		262
IV. Training	432	64	-	432	64		496
V. Commodities	216	-	-	216	-		216
VI. Operations	72	165	141	72	306		378
VII. Special Costs	10	6	246	10	252		262
VIII. Evaluation	51	29	-	51	29		80
IX. Contractor, Over-head & Fee	1,000	-	-	1,000	-		1,000
X. Ind. Support	-	-	1,778	-	1,778		1,778
<b>SUBTOTAL</b>	<b>4,985</b>	<b>1,435</b>	<b>2,567</b>	<b>4,985</b>	<b>4,002</b>		<b>8,987</b>
Inflation	2,131	939	1,809	2,151	2,748		4,899
Contingency	372	118	200	372	318		690
<b>Subproject Total</b>	<b>\$7,508</b>	<b>\$2,492</b>	<b>\$4,576</b>	<b>\$7,508</b>	<b>\$7,068</b>		<b>\$14,576</b>

TABLE 4

2, SUBPROJECT III: VOCATIONAL TRAINING FOR PRODUCTIVITY

SUMMARY OF COST ESTIMATES AND FINANCIAL PLAN

	(In US \$000's)		TOTAL
	FX	LC	
<b>AID</b>			
<u>Contract Cost</u>			
Personnel Services	4,150	1,200	5,350
Participant Training	1,571	123	1,694
Commodities	1,860	-	1,860
Miscellaneous	69	681	750
Overhead & Fee	2,982	-	2,982
	<hr/>	<hr/>	<hr/>
Total Contract	10,632	2,004	12,636
<u>Other Costs</u>			
Evaluation	39	15	54
Special Consultants	200	-	200
	<hr/>	<hr/>	<hr/>
Total Other	239	15	254
Sub-Total AID	10,871	2,019	12,890
<u>Contingency</u>	806	150	956
<u>Inflation</u>	2,681	973	3,654
	<hr/>	<hr/>	<hr/>
Total AID	14,358	3,142	17,500
<b>GOE</b>			
<u>Other Costs</u>			
Personnel Services	-	3,400	3,400
Office Space	-	36	36
Miscellaneous	-	208	208
	<hr/>	<hr/>	<hr/>
Sub-Total GOE	-	3,644	3,644
<u>Inflation</u>	-	1,856	1,856
	<hr/>	<hr/>	<hr/>
Total GOE	-	5,500	5,500
<b>Subproject Total</b>	<b>14,358</b>	<b>8,642</b>	<b>23,000</b>
	<hr/>	<hr/>	<hr/>

TABLE 5

SUBPROJECT IV: INNOVATIVE ACTIVITIES  
SUMMARY OF COST ESTIMATES AND FINANCIAL PLAN

( In U.S. \$000's )

	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
<u>AID</u>			
Personnel Services	900	400	1,300
Participant Training (local & offshore)	700	300	1,000
Commodities	200	100	300
Contingency	300	100	400
	<u>2,100</u>	<u>900</u>	<u>3,000</u>
<u>COE</u>			
Personnel Services		300	300
Offices & In Kind		400	400
Miscellaneous		300	300
		<u>          </u>	<u>          </u>
Subproject Total	<u>2,100</u>	<u>1,900</u>	<u>4,000</u>

## V. PROJECT EVALUATION PLAN

While detailed activity evaluation plans are provided in each subproject annex, there is an important need for sectoral evaluation of the project's impact upon the basic problem of industrial productivity. This will require the development of productivity measures (or, where the precision of productivity "measures" cannot be attained, then aggregate productivity "indicators" will be developed). The evaluation framework of the project will seek verification of productivity gains at three levels:

- enterprise level (through subproject evaluations)
- subsector level (e.g., the cement subsector,  
or the private electronics subsector)
- sector level (national, aggregate measures  
and indicators of productivity in  
the manufacturing sector)

The initial analytic work on developing sector level measures will be financed through the "Innovative Productivity Activities" budget of the project. Based on Mission review and analysis of this work, a sector level external evaluation system will be established

by the 12th month after the signing of Implementation Letter One. Both the Ministry of Industry and the Ministry of Economy will be directly involved in the establishment of baseline measures and in the design and implementation of a five year evaluation plan. It is anticipated that two major external evaluations at the sector level will be conducted - one in September 1983 and one in the 48th month following this PP amendment. The content, scope and composition of these external evaluations will be determined during the evaluation design stage. A total of U.S. \$100,000 will be reserved from subproject IV funds to cover project level evaluation work. subprojects I, II and III have discrete activity-level evaluation budgets.

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY \_\_\_\_\_ to FY 86  
Total U.S. Funding \$38 million  
Date Prepared: August 1981

Project Title & Number: 263-0090 Removing Constraints to Industrial Productivity

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes</p> <p>Measurable improvement in the efficiency of the use of (A) capital, (B) production inputs &amp; raw materials (C) labor by the Egyptian manufacturing sector leading to sustained sectoral gains in total productivity.</p>	<p>Measures of Goal Achievement</p> <p>Changes in real capital/output ratio, plant capacity utilization, and labor/output ratios, as well as subsectoral productivity measures.</p>	<p>(A) Enterprise level: review of company accounts and records (b) Sector and subsector level: studies and data systems initiated under this project.</p>	<p>Assumptions for achieving goal targets:</p> <p>GOE continues commitment to liberalization of Industry sector. Enterprise managers are given effective incentives to pursue efficiency gains.</p>
<p>Program Purpose</p> <p>(1) To improve the productivity of the manufacturing sector in Egypt by a process of coordinated transfer of US business technology in the areas of industrial management, industrial managers development and industrial production technology. (2) To build Egyptian institutional capacity to provide continuing international-class consulting services to industrial enterprises</p> <p>Outputs</p> <p>Each subactivity has discrete quantifiable outputs. See Subactivity Logframes</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>Objectively verified cases of productivity gains in actual firms. Aggregate evidence that stock of capital, labor and raw materials is associated with higher physical output. Higher rates of real industrial growth and reinvestment. More earnings "below the line".</p>	<ul style="list-style-type: none"> <li>- Company case study</li> <li>- application of microeconomic productivity measures to sector &amp; subsector data</li> <li>- application of macroeconomic productivity indicators to aggregate sector data.</li> <li>- evaluation which use both managerial &amp; econ analytic techniques.</li> </ul>	<p>Assumptions for achieving purpose:</p> <p>The pattern of legislative and executive reforms of company law (public and private) is continued and extended. USAID and GOE are able to develop jointly acceptable productivity measures and indicators</p>
<p>Each subactivity has discrete quantifiable outputs. See Subactivity Logframes</p>	<p>Measures of Outputs</p> <p>25% reduction in real capital/output ratio for the manufacturing sector. 25% reduction in purchased input/output ratio on a sector average. Measurable decrease in labor output ratios.</p>	<p>as above</p>	<p>Assumptions for achieving outputs:</p> <p>See Subactivity Logframes</p>
<p>Inputs</p> <p>Four technical assistance subactivities comprised largely of American and Egyptian business consulting services:</p> <ul style="list-style-type: none"> <li>(1) Management development for Productivity.</li> <li>(2) Industrial Technology Application.</li> <li>(3) Vocational Training for Productivity.</li> <li>(4) Innovative Productivity Activities</li> </ul>	<p>Implementation Target (Type and Quantity)</p> <p>MANAGEMENT: See subactivity Logframe TECHNOLOGY: See Subactivity Logframe MANPOWER: See Subactivity Logframe</p>	<p>See Subactivity Logframe</p>	<p>Assumptions for providing inputs:</p> <p>See Subactivity Logframe</p>

UNCLASSIFIED  
Department of State

Annex B

INCOMING  
TELEGRAM

A-2

PAGE 01  
ACTION AID-35

CAIRO 21377 101201Z

5378 070162 AID6619

-----  
ACTION OFFICE NEEI-03  
INFO NEPD-04 NEDP-02 NETC-04 PPCE-01 PDPR-01 PPPB-03 FM-02  
TRSY-05 RELO-01 TELE-01 MAST-01 /020 A4 810  
-----

INFO OCT-01 /036 W

-----053321 101206Z /45

O 101158Z SEP 81  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC IMMEDIATE 6481

UNCLAS CAIRO 21377

AIDAC

E.O. 12065: N/A  
SUBJECT: PROJECT 263-0090, RELIEVING CONSTRAINTS  
TO INDUSTRIAL PRODUCTIVITY

1. FOR NE/EI AND NE/TECH

2. PARAGRAPH THREE QUOTES FULL TEXT OF GOVERNMENT  
OF EGYPT REQUEST FOR PROJECT ASSISTANCE RECEIVED  
FROM THE MINISTER OF STATE FOR ECONOMY, MR.  
SOLIMAN NOUR EL DIN ON 8 SEPTEMBER 1981.

3. DEAR MR. BROWN,

AS A RESULT OF OUR LONGSTANDING DISCUSSIONS  
ABOUT WAYS TO ORGANIZE AID ASSISTANCE ALONG  
SECTORAL LINES, I AM PARTICULARLY PLEASED  
THAT WE HAVE BEEN ABLE TO COLLABORATE IN  
DEVELOPING A PROGRAM OF SECTORAL TECHNICAL  
ASSISTANCE FOR EGYPTIAN INDUSTRIAL DEVELOPMENT.  
I AM REFERRING TO THE PROPOSED REVISION OF  
THE MANAGEMENT DEVELOPMENT PROJECT (263-0090)  
WHICH WOULD RECAST THAT PROJECT AS A SECTORAL  
MECHANISM FOR COORDINATING TECHNICAL ASSISTANCE  
IN INDUSTRIAL MANAGEMENT, INDUSTRIAL TECHNOLOGY,  
INDUSTRIAL MANPOWER AND OTHER AREAS OF  
INDUSTRIAL PRODUCTIVITY.

THE GOVERNMENT OF EGYPT REQUESTS THAT THE  
AGENCY FOR INTERNATIONAL DEVELOPMENT ADD  
\$ 36 \$ MILLION TO PROJECT 263-0090 WHICH WE  
UNDERSTAND WILL BE RENAMED RELIEVING CONSTRAINTS  
TO INDUSTRIAL PRODUCTIVITY

SINCERELY YOURS,

DR SOLIMAN NOUR EL DIN  
MINISTER OF STATE FOR ECONOMY

4. REQUEST THAT THE TEXT OF THIS LETTER  
OF REQUEST BE ADDED TO THE PROJECT PAPER  
AMENDMENT PACKAGE FOR 263-0090. ATHERTON

UNCLASSIFIED

**FIRST AMENDMENT**

**TO**

**PROJECT AUTHORIZATION**

**Name of Country:** Arab Republic  
of Egypt

**Name of Project:** Industrial  
Productivity  
Improvement

**Project Number:** 263-0090

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, amended, the Management Development for Productivity Project for Egypt was authorized on August 29, 1980. That authorization is hereby amended as follows:

a. The name of Project shall become "Industrial Productivity Improvement";

b. Paragraph 1 shall be amended by (1) deleting "Management Development for Productivity" and substituting in lieu thereof "Industrial Productivity Improvement" and (2) deleting "Eight Million Five Hundred Thousand United States Dollars (\$8,500,000)" and substituting in lieu thereof "Thirty Nine Million United States Dollars (\$39,000,000)".

c. Paragraph 2 shall be deleted and the following paragraph 2 substituted in lieu thereof:

"The Project will address managerial, technological, vocational and other generic constraints to industrial productivity in Egypt and will assist in the creation of a managerial framework in which technical assistance activities will be coordinated to serve sectoral goals for improvement of productivity of the manufacturing sector of Egypt. The Project will include the following subactivities:

1. Management Development for Productivity. This sub-activity will assist the Cooperating Country in bringing about (a) identifiable improvement in the management of selected public and private sector industrial and similar organizations in food-related, construction materials and textile industries among others, and (b) increased supply of, and demand for, effective management and organization development services in Egypt. It will also provide locally based management development materials to local management education institutions.

2. Vocational Training For Productivity. This sub-activity will assist the Government of Egypt to equip entry level workers with skills required by employers, upgrade the skills of employed workers, respond to company specific training problems and establish skill standards and appropriate trade tests. The subactivity will finance technical assistance, training and commodities.

3. Industrial Technology Application. This subactivity will assist the Government of Egypt in the development of its industrial sector by providing the means for industrial firms to make more productive use of technology and to effectively identify, assess and introduce new and appropriate technology. Funds will be used for the costs associated with short and long-term technical services, documentation and access to information networks, training, travel, and commodities.

4. Innovative Productivity Activities. This subactivity will assist the Government of Egypt to identify and respond to constraints to industrial productivity by financing creative interventions including, but not limited to, activities which (a) provide selected short-term business and other technical consulting services and (b) respond to constraints and new opportunities in the area of small scale enterprises credit."

d. Paragraphs 3b, and c, shall be amended by deleting the entire contents thereof and substituting in lieu thereof the following paragraphs:

"b. Conditions Pr cedent to Disbursement

(1) For Management Development For Productivity

(a) Initial Disbursement

Prior to any disbursement or to the issuance of any commitment documents for Management Development for Productivity, the Cooperating Country shall, except as the parties agree otherwise in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A statement of the names and titles of the persons who will act as the representatives of the Cooperating Country for this subactivity, together with a specimen signature of each person specified in such statement.

(2) Evidence of the establishment of an advisory committee consisting of senior representatives of the Ministry of Economy, the Ministry of Industry and Mineral Wealth and the Egypt-United States Joint Business Council. (Evidence of the establishment of the committee shall include formal designation of committee members and delineation of the committee's functions.)

(b) Disbursement Other than for Pre-Contract Costs

Prior to any disbursement or to the issuance of any commitment documents other than for pre-contract costs of a prospective contractor and, except as the parties may otherwise agree in writing, A.I.D. shall receive in satisfactory form and substance evidence that the arrangement through which the prime contractor is to provide the requisite Egyptian professional staff component to the project has been formally and legally established through a signed sub-contract or other equivalent means.

2. For Vocational Training for Productivity.

(a) Initial Disbursement

Prior to any disbursement or to the issuance of any commitment documents for Vocational Training for Productivity, the Cooperating Country shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A statement of the names and titles of the persons who will act as the representatives of the Cooperating Country for this subactivity together with a specimen signature of each person specified in such statement;

(2) Evidence of the establishment of a board of directors chaired by the Undersecretary for Productivity and Vocational Training. The Board should include representatives of public and private sector industrial firms, as well as senior officials of the Productivity and Vocational Training Department and other appropriate government agencies as determined by the Productivity and Vocational Training Department and;

(3) Such other information and documentation as A.I.D. may reasonably request.

### 3. For Industrial Technology Application

#### (a) Initial Disbursement

Prior to any disbursement or to the issuance of any commitment documents under the Grant for Industrial Technology Application, the Cooperating Country shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A statement of the names and titles, of the persons who will act as the representatives of the Cooperating Country for this subactivity together with a specimen signature of each person specified in such statement;

#### (b) Additional Disbursements for Long-Term Technical Assistance Contractor to be Provided to the Engineering and Industrial Design Development Center.

Prior to any disbursement or to the issuance of any commitment documents under the Grant for the purpose of financing of long-term technical services to be provided to the Engineering and Industrial Design Development Center (EIDDC), the Cooperating Country shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(1) An executed contract for long-term technical advisory services with a firm acceptable to A.I.D.,

(2) Evidence of the establishment of the Industrial Technology Application Program (ITAP) as a permanent unit within the Engineering and Industrial Design Development Center including a copy of the procedures and policies for its operation; and

(3) Evidence of the establishment of an Industrial Technology Application Advisory Committee consisting of members of the private and public industrial and financial communities which evidence will include formal designation of the members and delineation of the functions of the Committee;

#### c. Additional Disbursement for Short-term Consultant Services

Prior to any disbursement or to the issuance of any commitment documents under the Grant for the purpose of financing short-term U.S. and Egyptian consultant services other than short-

term consultant services to be provided as assistance to EIDDC in connection with the procurement of the long-term technical advisory services, the Cooperating Country, except as the Parties may otherwise agree in writing, shall have satisfied the conditions precedent set forth in Section 3b above and, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) An established schedule of charges for the ITAP services to be provided to end-users by the EIDDC along with a plan for the periodic revision of such schedule.

(2) A statement of the policy guidelines governing the use of services of Egyptian consultants to assist ITAP/EIDDC and end users of ITAP/EIDDC services which policies shall include established compensation levels and level of effort limitations for single end users.

#### 4. For Innovative Productivity Activities

Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for each Innovative Productivity Activity, the Cooperating Country shall, except as the parties may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D., an implementation plan for the activity, including cost estimates and mode of agreement to be utilized.

#### c. Covenants

##### (1) For Management Development for Productivity.

The Grantee shall establish an effective mechanism for the collection, accounting and utilization of fees collected from participating Egyptian firms.

##### (2) For Vocational Training for Productivity

(a) The Cooperating Country shall covenant that it will furnish to A.I.D. within 180 days from the date of arrival of the Chief of Party of the technical assistance contractor, or such other time as A.I.D. may agree in writing, an implementation plan in, form and substance satisfactory to A.I.D., for in-country training and participant training, job descriptions for Vocational Training for Productivity subactivity personnel, and a description of activities to be undertaken during the first two years of the Vocational Training for Productivity subactivity. The plan shall be updated every six months over the life of the Vocational Training for Productivity subactivity.

(b) The Cooperating Country shall covenant that it will make provision for adequate administrative arrangements and local currency from funds other than those provided by the Grant for any incentive payments to be made to personnel of the Government of Egypt engaged in implementation of the Vocational Training for Productivity subactivity implementation. In addition, the Cooperating Country shall covenant to make funds available to ensure that increased operating costs resulting from program changes brought about by the implementation of the Vocational Training for Productivity subactivity continue to be met after the Vocational Training for Productivity subactivity ends.

(c) The Cooperating Country shall also covenant that it will provide office and support facilities adequate for technical advisers and their counterparts effectively to execute their responsibilities for project implementation.

### 3. For Industrial Technology Application

a. Existing Information and Data. The Cooperating Country shall covenant to provide or cause to be provided to EIDDC and the ITAP unit upon request all relevant data and information relating to industrial technology presently available to the organizations of the Cooperating Country except to the extent that such data and information are subject to legally mandated distribution limitations. The Cooperating Country shall also seek to secure such data and information from non-governmental sources and furnish it to EIDDC.

b. Data Collection. The Cooperating Country shall covenant to assist EIDDC upon request in the collection of data and information required by EIDDC to carry out its operations.

c. Operational Procedures. The Cooperating Country shall covenant to ensure that EIDDC establishes and implements operational procedures which include:

- (1) Maintenance of complete files of all contacts made;
- (2) Provision of detailed information on those cases where specific benefits are achieved;
- (3) Relating on-going activities including requests for services, participation in group programs and cases of special interest; and
- (4) Periodic follow-up contacts to improve the quality of the effectiveness of the services provided.

d. Extension of ITAP Services. The Cooperating Country shall covenant that the ITAP unit will extend its services to the major population centers in Egypt."

e. Support for ITAP Unit. The Cooperating Country shall covenant to provide the ITAP unit with the full-time personnel, office space, and office furnishings necessary to carry out its operations.

2. Based upon the justification set forth in the Project Paper Amendment and the Annexes, I hereby determine; in accordance with Section 612(b) of the Act, that the expenditure of United States Dollars for the procurement of goods and services in Egypt is required to fulfill the purposes of this Project, as amended; the purposes of this Project, as amended, cannot be met effectively through the expenditure of U.S.-owned local currencies for such procurement; and the administrative official approving local cost vouchers may use this determination as the basis for the certification required by Section 612(b) of the Act.

3. The Grant funds added hereunder shall be available over a one year period from the date of this authorization amendment, subject to the availability of funds in accordance with the A.I.D. OYB/Allotment process.

4. Except as hereby amended, the Project Authorization dated August 29, 1980 shall remain in force.

  
M. Peter McPherson

September 25, 1981  
Date

Clearances:

AA-NE:WAFord W Date 9/24/81  
GC:JRBolton KCK Date 9-25-81  
A-AA/PPC:LSmucker W Date 9-24-81

AGENCY FOR INTERNATIONAL DEVELOPMENT  
ADVICE OF PROGRAM CHANGE

DATE:

Country: Egypt

Project Title: Industrial Productivity Improvement  
(Formerly: Management Development for Productivity)

Project Number: 263-0090

Data Base Reference: None

Appropriation Category: Economic Support Fund

Life of Project Funding: \$39,000,000

Intended FY 1981 Obligation: \$30,500,000 Grant

This is to advise that A.I.D. intends to obligate \$30.5 million in FY 1981 for the Industrial Productivity Improvement project. The original Management for Productivity project was approved in FY 1980 to increase the effectiveness of industrial organizations by training key managers to better address organizational problems encountered by their firms. Complementary projects, Vocational Industrial Training (263-0062) and Industrial Research and Development (263-0154), were planned for initiation in FY 1981. In the course of project design, it was concluded on the basis of programmatic and management considerations that these activities would most effectively be implemented as an integrated program of services designed to relieve constraints to industrial productivity. An additional sub-project innovative productivity activities has been added. Project 263-0090 has been revised and renamed accordingly.

A revised Activity Data Sheet is attached.

TITLE <b>Industrial Productivity Improvement</b>		FUNDS <b>Economic Support Fund</b>	PROPOSED OBLIGATION <i>(in thousands of dollars)</i>	
NUMBER 263-0090		PRECEDENCE REFERENCE PY 1980 Advice of Program Change #336	PY 81 <b>\$30,500</b>	LIFE OF PROJECT <b>\$39,000</b>
GRANT <input checked="" type="checkbox"/> LOAN <input type="checkbox"/>	NEW <input type="checkbox"/> CONTINUING <input checked="" type="checkbox"/>		INITIAL OBLIGATION FY 80	ESTIMATED FINAL OBLIGATION FY 81
			ESTIMATED COMPLETION DATE OF PROJECT FY 86	

**Purpose:** To improve industrial productivity through transfer of American business know-how in management, manpower and production technology; and to expand indigenous institutional capacity to provide consulting services in these fields.

**Background:** A quarter century of increasingly centralized planning of industry, coupled with administratively determined prices for inputs and outputs, has resulted in low levels of efficiency in most Egyptian industrial enterprises. The industry sector is characterized by productivity weaknesses on the shop floor, on the production lines, in the warehouse, in its financial structure, and at the executive management level. Sector studies of Egyptian industry indicate that a five percent overall productivity improvement in public sector manufacturing is feasible, could yield annual benefits of about one billion dollars, and have a dramatic effect on the mobilization of domestic Egyptian resources for development.

**Project Description:** The project will finance technical assistance to a wide range of private and public manufacturing enterprises in four key areas: management development; industrial technology; vocational training; and other areas related to industrial productivity.

These subactivities diagnose operating conditions and constraints in firms and then provide business consulting services tailored to identified needs. Each subactivity is aimed at achieving productivity goals both within client firms and, in the longer run, across whole subsectors of Egyptian industry.

**Relation to A.I.D. Country Strategy:** This project constitutes a major element in A.I.D.'s efforts to improve overall Egyptian productivity. The industrial sector offers the greatest potential for productivity gains, total contribution to growth, and increased employment.

**Beneficiaries:** The direct beneficiaries will be the manufacturing firms assisted by the project. Egyptian consumers, workers, and managers will benefit from better and more plentiful goods, increased employment and income.

**Host Country and Other Donors:** The Government of Egypt will finance more than \$14 million worth of local costs. World Bank-financed vocational training centers should also benefit from this project's technical inputs.

**Major Outputs:** All Years  
Measured productivity gains in manufacturing firms and in key subsectors of Egyptian industry.

<b>A.I.D.-financed inputs:</b>	(\$ Thousands)
	<u>Life of Project</u>
Technical Assistance	\$28,700
Participant Training	5,000
Commodities	4,000
Evaluation and Other Costs	<u>1,300</u>
<b>Total</b>	<b>\$39,000</b>

U.S. FINANCING <i>(in thousands of dollars)</i>				PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	Disbursed	
Through September 30, 1979	-0-	-0-	-0-	To be selected.
Estimated Fiscal Year 1980	8,500	-0-		
Estimated through September 30, 1980	8,500	-0-	8,500	
		Future Year Obligations	Estimated Total Cost	
Fiscal Year 1981	30,500	-0-	39,000	

NE/EI/E:GFGovericdvi9/10/81:K29048

Clearances:

NE/TECH/HRST:THcDonough (draft)

NE/TECH/HRST:Blayman (draft)

NE/EI:CLKamens (draft)

NE/TECH:LRoads (draft)

GC/LPFH:MWilliams (draft)

NE/DP:PSellar         

DAA/NE:Blangmaid         

AA/NE:WAFord

UNITED STATES GOVERNMENT

## memorandum

DATE: September 22, 1981

REPLY TO  
ATTN OF: NE/PD/PDS, Stephen F. Lintner, Bureau Environmental Coordinator *DFL*SUBJECT: EGYPT - Relieving Constraints to Industrial Productivity  
(Amendment/Retitle for Management Development for Productivity)  
(263-0090) - Environmental ClearanceTO: NE/TECH/<sup>WEST</sup>~~ST~~, Thomas McDonough, Project Chairperson

I have reviewed the amendment to the subject project paper and recommend that it be given a "Negative Determination" under the requirements of 22 CFR 216, "A.I.D. Environmental Procedures".

cc: GC/NE, T. Carter  
USAID/Cairo, W. McAleer, Mission Environmental Officer  
USAID/Cairo, G. Curley, Mission Environmental Advisor  
USAID/Cairo, L. M. Hager, Senior Legal Advisor

A.I.D. Project Number 7A7-0090

FIRST  
AMENDMENT  
TO  
GRANT AGREEMENT  
BETWEEN  
THE ARAB REPUBLIC OF EGYPT  
AND THE  
UNITED STATES OF AMERICA  
FOR  
MANAGEMENT DEVELOPMENT  
FOR PRODUCTIVITY  
HEREIN RENAMED  
"INDUSTRIAL PRODUCTIVITY  
IMPROVEMENT"

Dated: September 27, 1981

CONFORMED  
COPY

First Amendment, dated September 27, 1981 to the Grant Agreement, dated August 31, 1980 between the Arab Republic of Egypt ("Grantee") and the United States of America, acting through the Agency for International Development ("A.I.D.") for Management Development for Productivity (herein renamed "Industrial Productivity Improvement").

SECTION 1. The Grant Agreement is hereby amended as follows:

A. The entire Grant Agreement except for Annex 2 is hereby deleted and Attachment I of this Amendment is substituted therefor.

B. The Grant Agreement is hereby renamed "Project Grant Agreement Between the Arab Republic of Egypt and the United States of America for Industrial Productivity Improvement."

SECTION 2. This First Amendment shall enter into force when signed by both parties hereto.

SECTION 3. Except as specifically amended or modified herein, the Grant Agreement shall remain in full force and effect in accordance with all of its terms.

IN WITNESS WHEREOF, the Arab Republic of Egypt and the United States of America, each acting through its respective duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

UNITED STATES OF AMERICA

BY : \_\_\_\_\_

BY : \_\_\_\_\_

NAME : Dr. Abdel Hazzak Abdel Mohsen

NAME : \_\_\_\_\_

TITLE : Deputy Prime Minister for Economic and Financial Affairs & Minister of Planning, Finance and Economy

TITLE : \_\_\_\_\_

Implementing Organizations

In acknowledgment of the foregoing Agreement, each Government of the implementing organizations have accepted the following:

MINISTRY OF ECONOMY

MINISTRY OF HEALTH AND GENERAL AFFAIRS

BY : Dr. Salim Habib El Din

BY : Dr. John Zuber

NAME : \_\_\_\_\_

NAME : \_\_\_\_\_

TITLE : Minister of Economy

TITLE : \_\_\_\_\_

Attachment I

A.I.D. Project Number 263-0090

PROJECT  
GRANT AGREEMENT  
BETWEEN  
THE ARAB REPUBLIC OF EGYPT  
AND THE  
UNITED STATES OF AMERICA  
FOR  
INDUSTRIAL PRODUCTIVITY  
IMPROVEMENT

Dated: September 27, 1981

Table of Contents  
Project Grant Agreement

	<u>Page</u>
Article 1: The Agreement	1
Article 2: The Project	1
SECTION 2.1. Definition of Project	1
Article 3: Financing	2
SECTION 3.1. The Grant	2
SECTION 3.2. Grantee Resources for the Project	2
SECTION 3.3. Project Assistance Completion Date	2
Article 4: Conditions Precedent to Disbursement	7
SECTION 4.1. For Management Development for Productivity	7
SECTION 4.2. For Vocational Training for Productivity	8
SECTION 4.3. For Industrial Technology Application	9
SECTION 4.4. For Innovative Productivity Activities	7
Article 5: Special Covenants	7
SECTION 5.1. Project Evaluation	7
SECTION 5.2. Management Development for Productivity	8
SECTION 5.3. Vocational Training for Productivity	8
SECTION 5.4. Industrial Technology Application	9
Article 6: Procurement Source	10
SECTION 6.1. Foreign Exchange Costs	10
SECTION 6.2. Local Currency Costs	10

Table of Contents (continued)  
Project Grant Agreement

	<u>Page</u>
Article 7: Disbursement	10
SECTION 7.1. Disbursement for Foreign Exchange Costs	10
SECTION 7.2. Disbursement for Local Currency Costs	11
SECTION 7.3. Other Forms of Disbursement	11
SECTION 7.4. Rate of Exchange	11
Article 8: Miscellaneous	11
SECTION 8.1. Communications	11
SECTION 8.2. Representatives	12
SECTION 8.3. Standard Provisions Annex	12
Annex 1	
PROJECT DESCRIPTION	
Annex 2	
PROJECT GRANT STANDARD PROVISIONS	

Table of Contents

Project Grant Standard Provisions Annex

	<u>Page</u>
Article A: Project Implementation Letters	1
Article B: General Covenants	1
SECTION B.1. Consultation	1
SECTION B.2. Execution of Project	1
SECTION B.3. Utilization of Goods and Services	2
SECTION B.4. Taxation	2
SECTION B.5. Reports, Records, Inspections, Audits	2, 3
SECTION B.6. Completeness of Information	3
SECTION B.7. Other Payments	3
SECTION B.8. Information and Marking	3
Article C: Procurement Provisions	3
SECTION C.1. Special Rules	3, 4
SECTION C.2. Eligibility Data	4
SECTION C.3. Plans, Specifications, & Contracts	4, 5
SECTION C.4. Reasonable Price	5
SECTION C.5. Notification to Potential Suppliers	5
SECTION C.6. Shipping	5, 6
SECTION C.7. Insurance	6
SECTION C.8. U.S. Government-Owned Access Property	6
Article D: Termination; Remedies	7
SECTION D.1. Termination	7
SECTION D.2. Refunds	7, 8
SECTION D.3. Involvement of Remedies	8
SECTION D.4. Assignment	8

A.I.D. Project No. 263-0790

**Project Grant Agreement**

Dated: September 27, 1981

**Between**

**The Arab Republic of Egypt ("Grantee")**

**And**

**The United States of America, acting through the  
Agency for International Development ("A.I.D.").**

**Article 1: The Agreement**

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties"), with respect to the undertaking by the Grantee of the Project described below and with respect to the financing of the Project by the Parties.

**Article 2: The Project**

**SECTION 2.1. Definition of Project.** The Project, which is further described in Annex 1, will address managerial, technological, vocational and other generic constraints to industrial productivity in Egypt and will assist the Grantee to create a managerial framework in which technical activities will be coordinated to serve sectoral goals for improvement of productivity of the manufacturing sector of Egypt.

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2., without formal amendment of this Agreement.

### Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Thirty-Nine Million United States ("U.S.") Dollars (\$39,000,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project, except that, unless the Parties otherwise agree in writing, Local Currency Costs financed under the Grant will not exceed the equivalent of Nine Million Two Hundred Twenty-four Thousand U.S. Dollars (\$9,224,000).

#### SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than the Egyptian Pound equivalent of Fourteen Million Eighty-four Thousand U.S. Dollars (\$14,084,000), including costs borne on an "in-kind" basis.

#### SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 27, 1986, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

- 3 -

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no. later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement.

SECTION 4.1. For Management Development for Productivity.

(a) Initial Disbursement. Prior to any disbursement or to the issuance of any commitment documents under the Grant for Management Development for Productivity ("MDP"), the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A statement of the names and titles of the persons who will act as the representatives of the Grantee for this subactivity, together with a specimen signature of each person specified in such statement;

(2) Evidence of the establishment of an advisory committee consisting of senior representatives of the Ministry of Economy, the Ministry of Industry and Mineral Wealth and the Government-Related State Business Council ("Advisory Committee") (evidence of the establishment of the committee shall include formal designation of committee members and delineation of the committee's functions); and

(3) Such other documentation and information as A.I.D. may reasonably request.

(b) Disbursements Other Than for Pre-Contract Costs. Prior to any disbursement or to the issuance of any commitment documents under the Grant other than for pre-contract costs of a prospective contractor, and except as the Parties may otherwise agree in writing, A.I.D. shall

- 4 -

receive, in form and substance satisfactory to A.I.D. evidence that the arrangement through which the prime contractor is to provide the requisite Egyptian professional staff component to the MDP has been formally and legally established through a signed subcontract or other equivalent means.

(c) Disbursement Starting the Fourth MDP Year and Thereafter.

Prior to any disbursement or the issuance of any commitment documents under the Grant for the fourth year of the MDP after the effective date of the prime contract for long-term assistance ("Fourth MDP Year") and thereafter, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., a plan for institutionalizing the process of modernizing business management in Egypt through consulting services and training.

(d) Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1(a), 4.1(h), and 4.1(c) have been met, it will promptly notify the Grantee.

(e) Terminal Date for Conditions Precedent. If all of the conditions specified in Section 4.1(a) have not been met within 120 days from the date of the First Amendment to this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate the MDP by written notice to the Grantee.

SECTION 4.2. For Vocational Training for Productivity.

(a) Initial Disbursement. Prior to any disbursement or to the issuance of any commitment documents under this Agreement for the Vocational Training for Productivity Subactivity ("VTP"), the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A statement of the names and titles of the persons who will act as the representatives of the Grantee for this subactivity, together with a specimen signature of each person specified in such statement;

(2) Evidence of the establishment of a board of directors chaired by the Undersecretary of Productivity and Vocational Training. The board should include representatives of public and private sector industrial firms, as well as senior officials of the Productivity and Vocational Training Department ("PVTD") and other appropriate Grantee agencies as determined by the PVTD;

- 9 -

(3) Evidence of the establishment of adequate office and support facilities for technical advisors and their counterparts to exercise their duties effectively; and

(4) Such other information and documentation as A.I.D. may reasonably request.

(h) Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.2(a) have been met, it will promptly notify the Grantee.

(c) Terminal Dates for Conditions Precedent. If all of the conditions specified in Section 4.2(a) have not been met within 120 days from the date of the First Amendment to this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate the VTP by written notice to the Grantee.

#### SECTION 4.3. For Industrial Technology Application.

(a) Initial Disbursement. Prior to any disbursement or to the issuance of any commitment documents under the Grant for Industrial Technology Application Subactivity ("ITA"), the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A statement of the names and titles of the persons who will act as the representatives of the Grantee, together with a specimen signature of each person specified in such statement;

(2) Such other information and documentation as A.I.D. may reasonably request.

(b) Additional Disbursements.

(1) Long-Term Technical Assistance Services to be Provided to the Engineering and Industrial Design Development Center.

Prior to any disbursement or to the issuance of any commitment documents under the Grant for the purpose of financing of long-term technical services to be provided to the Engineering and Industrial Design Development Center ("EIDDC"), the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- 6 -

(i) An executed contract for long-term technical advisory services with a firm acceptable to A.I.D.;

(ii) Evidence of the establishment of the Industrial Technology Application Program (ITAP) as a permanent unit within the EIDDC, including a copy of the procedures and policies for its operation;

(iii) Evidence of the establishment of a Project Advisory Committee consisting of members of the private and public industrial and financial communities, which evidence will include formal designation of the members and delineation of the functions of the Committee; and

(iv) Such other information and documentation as A.I.D. may reasonably request.

(2) Short-Term Consultant Services.

Prior to any disbursement or to the issuance of any commitment documents under the Grant for the purpose of financing short-term U.S. and Egyptian consultant services other than short-term consultant services to be provided as assistance to EIDDC in connection with the procurement of long-term technical advisory services, the Grantee, except as the Parties may otherwise agree in writing, shall have satisfied the conditions precedent set forth in Section 4.3(b)(1) above and furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(i) An established schedule of charges for ITAP services to be provided to end-users by the EIDDC along with a plan for the periodic revision of such schedule;

(ii) A statement of the policy guidelines governing the use of services of Egyptian consultants to assist ITAP/EIDDC and end-users of ITAP/EIDDC services which policies shall include established compensation levels and level of effort limitations for single end-users; and

(iii) Such other information and documentation as AID may reasonably request.

(c) Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.3(a) and 4.3(b) have been met, it will promptly notify the Grantee.

- 7 -

(d) Terminal Dates for Conditions Precedent. If all of the conditions specified in Section 4.3(a) have not been met within 120 days from the date of the First Amendment to this Agreement, or such later time as A.I.D. may agree to in writing, A.I.D., at its option, may terminate the ITA by written notice to the Grantee.

SECTION 4.4. For Innovative Productivity Activities. Prior to any disbursement or to the issuance of any commitment documents under the Grant for each Innovative Productivity Activity, the Grantee shall, except as the Parties may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(a) A statement of the names and titles of the persons who will act as the representatives of the Grantee for the activity, together with a specimen signature of each person specified in such statement;

(b) An implementation plan for the activity including cost estimates and ways of agreement to be utilized; and

(c) Such other information and documentation as A.I.D. may reasonably request.

#### Article 5: Special Covenants.

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of possible ways or circumstances which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

**SECTION 5.2. Management Development for Productivity.**

(a) The Grantee shall ensure that funds are available to enterprises under the jurisdiction of the Ministry of Industry and Mineral Wealth to pay fees for MDP services as well as Egyptian per diem and other allowances for managers participating in training or task-force missions.

(b) The Grantee shall establish an effective mechanism for the collection, accounting and utilization of fees charged to participating Egyptian firms.

(c) The Grantee and A.I.D. shall consult from time to time on how best to institutionalize the process of modern business management in Egypt. Specifically, no later than the Fourth MDP year, the Grantee and A.I.D. shall consult on how best to implement the plan called for in Section 4.1(c) above.

**SECTION 5.3. Vocational Training for Productivity.**

(a) The Grantee shall furnish to A.I.D. within 180 days from the date of arrival of the chief of party of the technical assistance contractor, or such other time as A.I.D. may agree in writing, an implementation plan in form and substance satisfactory to A.I.D., for in-country training and participant training, job descriptions for VTP personnel, and a description of activities to be undertaken during the first two years of the VTP. The plan shall be updated every six months over the life of the VTP.

(b) The Grantee shall make provision for adequate administrative arrangements and local currency from funds other than those provided by the Grant for any incentive payments to be made to personnel of the Government of Egypt engaged in implementation of the VTP, and to ensure that increased operating costs resulting from program changes brought about by implementation of the VTP continue to be met after the VTP ends.

- 2 -

(c) The Grantee shall provide office and support facilities adequate for technical advisers and their counterparts effectively to execute their responsibilities for Project implementation.

**SECTION 5.4. Covenants for the Industrial Technology Application.**

(a) Existing Information and Data. The Grantee shall provide or cause to be provided to EIDDC and the ITAP Unit upon request all relevant data and information relating to industrial technology presently available to the organizations of the Grantee except to the extent that such data and information are subject to legally mandated distribution limitations. The Grantee shall also seek to secure such data and information from non-governmental sources and furnish it to EIDDC.

(b) Data Collection. The Grantee shall assist EIDDC upon request in the collection of data and information required by EIDDC to carry out its operations.

(c) Operational Procedures. The Grantee shall ensure that EIDDC establishes and implements operational procedures which include:

- (1) Maintenance of complete files of all contracts made;
- (2) Provision of detailed information on those cases where specific benefits are achieved;
- (3) Relating ongoing activities including requests for services; participation in group programs and cases of special interest; and
- (4) Periodic follow-up contacts to improve the quality of the effectiveness of the services provided.

(d) Extension of ITAP Services. The Grantee shall ensure that the ITAP Unit will extend its services to the major population centers in Eritrea.

(e) Support of ITAP. The Grantee shall finance the costs of maintaining the ITAP Unit as a permanent organization within the EIDDC to the extent that such costs are not covered by fee revenues generated by services provided by ITAP.

(f) Level of Fee Revenues. The Grantee shall revise periodically the fee schedules for services to be provided by ITAP/EIDDC in order that by the end of the third year of the IFA, ITAP/EIDDC will derive sufficient fee revenues by the end of the IFA to cover all of its operational costs.

- 10 -

(g) Support for ITAP Unit. The Grantee shall provide the ITAP Unit with the fulltime personnel, office space, and office furnishings necessary to carry out its operations.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Egypt ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise,

for such goods or services, or (B) Directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(h) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

#### SECTION 7.2 Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Egypt by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into currency of the Arab Republic of Egypt at the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

#### Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, demand, or other communication submitted by either Party to the other under this Agreement will be in writing, by telex or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

- 12 -

To the Grantee:

Minister of Economy  
8, Adly Street  
Cairo, Egypt

To A.I.D.:

A.I.D.  
U.S. Embassy  
Cairo, Egypt

To the Implementing Organizations:

Minister of Industry and  
Mineral Wealth  
7, Latin America Street  
Garden City  
Cairo, Egypt

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

**SECTION 8.2. Representatives.** For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Minister of State for Economy, the Senior Undersecretary for Economic Cooperation with U.S.A., and/or the Minister of Industry and Mineral Wealth, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

**SECTION 8.3. Standard Provisions Annex.** A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

PROJECT DESCRIPTIONI. GeneralA. Framework

The Project is a management framework for sectoral technical assistance activities. It provides a setting for technical and financial management of discrete but integrated packages of activities directed to particular sectoral constraints. The principal elements of the Project will initially include the following subactivities:

- Management Development for Productivity ("MDP")
- Vocational Training for Productivity ("VTP")
- Industrial Technical Application ("ITA")
- Innovative Productivity Activities ("IPA")

Each of these subactivities is further described below. Other discrete subactivities may be added in the future as agreed by the Parties.

B. Project Financial Plan

An illustrative Project Budget is set forth in Table I. The Grantee contribution includes user fees charged to participating companies. Within the overall Project budget, funds may be reallocated among Project subactivities as agreed by the Parties.

TABLE I  
SUMMARY PROJECT COST ESTIMATE AND FINANCIAL PLAN  
(U.S. \$000's)

	A.T.O. FY-75	GRANTEE LC	TOTAL FY-75
Subactivity I (MDP)	8,500	3,000	11,500
Subactivity II (VTP)	17,500	7,500	25,000
Subactivity III (ITA)	10,000	4,576	14,576
Subactivity IV (IPA)	<u>3,000</u>	<u>1,000</u>	<u>4,000</u>
PROJECT TOTAL	39,000	16,076	55,076

## II. Management Development for Productivity (Subactivity I)

### A. Detailed Description

This subactivity seeks to increase the effectiveness of business organizations in Egypt, particularly effectiveness as measured in economic terms, with a stress on productivity. To attain this goal, the MDP purpose is to:

- Improve management in selected public and private sector business organizations, and
- Increase supply of, and demand for, effective management development and organization development services in Egypt.

The MDP will give first attention to those industries considered to have high priority by the Grantee (food, construction materials and textiles), but will also be open to other important industries, such as chemicals, metallurgy, banking and tourism. It will serve large and medium-sized firms in both private and public sectors and will provide locally-based management development materials to local management education institutions.

The MDP will be implemented by a team of Egyptian and United States management trainers and consultants under the direction of a U.S. contractor under an A.I.D. direct contract. Policy direction, guidance in the selection of client firms and access to business and government leaders will be ensured by the Advisory Committee representing the Ministry of Economy, the Egypt-U.S. Joint Business Council, and the Ministry of Industry and Mineral Wealth.

The MDP will begin with a start-up period of about four months followed by

- ten to twelve overlapping and sequential cycles in Egypt, each lasting thirty-three weeks and consisting of
  - diagnostic studies to identify organizational problems on which to focus during the cycle.
  - training of key managers in industry-specific groups, and
  - application by the managers of their enhanced skills (with Project support) to solve the problems in their firms identified with top management during the diagnostic phase of the cycle.

- 3 -

- Three or four industry-specific task force missions in which 10 to 15 percent of the participants in the above cycles will undertake issue-centered visits to U.S. firms.

After approximately 24 months, the Parties will carry out an interim evaluation of the MDP to decide whether to continue the MDP for two additional years as planned, or to terminate it after 36 months. However, based on the assumption that the MDP will continue, MDP activities will not be interrupted during the interim evaluation. If the Parties agree to terminate the MDP early, the termination will be effective only after completion of on-going cycles.

The final eighteen months of the MDP will incorporate changes or additions suggested as a result of the evaluation. During the course of the MDP, it is expected that there will be 20 to 25 cycles, reaching 40 to 60 companies and 500 to 600 managers, of whom some 70 to 80 will participate in task force visits to the United States.

#### B. Financial Plan

Table II sets forth the summary cost estimate and financial plan for the MDP. The Grantee contribution shall include fees charged to participating companies.

**SUBACTIVITY I  
MANAGEMENT DEVELOPMENT FOR PRODUCTIVITY**

**SUMMARY COST ESTIMATE AND FINANCIAL PLAN**

(\$000)

	AID			GRANTEE		TOTAL
	FX	LC	TOTAL	FEES*	OTHER	
				LC	LC	
<u>USE</u>						
<u>Direct Project</u>						
- Technical Assistance	3,612	816	4,428	1,114	---	5,544
- Special Training Components	420	265	685	---	443	1,128
- Office, Facilities, and Equipment	40	495	535	---	---	535
- Evaluation and Surveys	<u>83</u>	<u>129</u>	<u>212</u>	<u>---</u>	<u>---</u>	<u>212</u>
<b>Total Direct</b>	<b>4,155</b>	<b>1,705</b>	<b>5,860</b>	<b>1,114</b>	<b>443</b>	<b>7,417</b>
<u>Indirect</u>	---	---	---	---	330	330
<u>Contingency</u>	314	128	442	84	50	474
<u>Inflation</u>	<u>1,207</u>	<u>991</u>	<u>2,198</u>	<u>455</u>	<u>422</u>	<u>2,375</u>
<u>Project Total</u>	<u>5,474</u>	<u>2,824</u>	<u>8,298</u>	<u>1,855</u>	<u>1,193</u>	<u>11,500</u>

\* Fees charged to participant companies

- 4 -

### C. EVALUATION PLAN

There will be two levels of evaluation by A.I.D. The first will be semi-annual progress assessments by a management specialist during the first two years. These assessments will be based on information from Project staff and records and limited interviewing of participants and advisory committee officials. The aim will be:

- To compare what was planned with what was achieved and in being done in terms of inputs, outputs, methodology and progress toward planned end-of-project status;

- To review and reassess assumptions underlying the MOP and plans for the balance of the MOP;

- To recommend to AID, the Advisory Committee and the contractor any action indicated to correct weaknesses identified and ensure timely progress toward the desired end-of-project status.

Approximately 24 months after the MOP begins, a more thorough evaluation will be undertaken by a team of A.I.D. direct-hire or contract specialists, assisted by Egyptian survey professionals. This evaluation will be scheduled when training and application phases are ongoing and can be observed. It will include interviews with a sample of managers who have participated in the program and of others in their organizations and elsewhere who have been directly or indirectly involved with the MOP. The aim will be, in part, the same as for the semi-annual progress assessments but will ultimately be to provide:

- A basis on which A.I.D. can decide whether the MOP should continue to completion as programmed, or be terminated after two and a half years, and

- Technical guidance to A.I.D. with regard to the implementation of the recommended course of action.

### III. Vocational Training for Productivity (Productivity III)

#### A. Detailed Description

The VTP will strengthen the ability of the Ministry of Industry and Mineral Wealth (MOMW) to equip entry-level workers with skills required by employers, upgrade the skills of employed workers exposed to

- 5 -

company-specific training problems, and establish skill standards and appropriate trade tests. Special attention will be given to assisting the private sector and increasing women's opportunities in skilled employment. The VTP will be initiated in two contiguous pilot regions, Alexandria and the Middle Delta, but will extend its benefits to the entire country as soon as possible during the life of the Project.

This subactivity will provide approximately 620 person-months of long- and short-term technical assistance, about 430 person-months of participant training and approximately \$1.9 million of commodities. The VTP will directly support other Grantee efforts to improve the vocational training system of the Productivity and Vocational Training Department ("PVTD"). A.I.D. assistance will also strengthen the PVTD's capacity to determine precise equipment needs for the World Bank's Fourth Educational loan, now being planned. Technical assistance provided by A.I.D. will include analysis of industrial training needs, establishment of instructional competencies and skills standards, preparation of curriculum and instructional materials, instructor training, in-plant training assistance and strengthening PVTD management. Short-term participant training will cover industrial training directors and first-line managers as well as upgrading the PVTD staff. Commodities will include equipment to fill training center inventory gaps identified through task analysis, establishment of audio-visual production and delivery capability, materials to increase the amount of practical training, small amounts of training equipment and materials for individual companies, and equipment to establish advanced or specialized training programs in industrial companies.

The VTP is designed to take advantage of the best available information concerning vocational training needs. Further problem definition will occur in an operational environment and the VTP is expected to develop appropriate and innovative responses to these problems.

#### B. Financial Plan

A summary of cost estimates and financial plan for the VTP is set forth in Table III.

Table III

## SUBACTIVITY II

## VOCATIONAL TRAINING FOR PRODUCTIVITY

SUMMARY OF COST ESTIMATES AND FINANCIAL PLAN

(\$000)

	AID		GRANTEE	<u>TOTAL</u>
	<u>FX</u>	<u>IC</u>	<u>IC</u>	
Personnel Services	4,150	1,500	1,400	7,050
Participant Training	1,571	123	-	1,694
Commodities	1,860	-	-	1,860
Miscellaneous	69	601	200	870
Overhead & Fee	2,902	-	-	2,902
Office Space	-	-	36	36
Evaluation	39	15	-	54
Special Consultants	300	-	-	300
<u>Contingency</u>	806	150	-	956
<u>Inflation</u>	<u>2,681</u>	<u>973</u>	<u>1,856</u>	<u>5,510</u>
	14,358	3,142	5,500	23,000

- 6 -

#### IV. Industrial Technology Application (Subactivity III)

##### A. Detailed Description

The ITA will assist the Grantee to develop its industrial sector by increasing productivity and employment resulting from improved industrial productivity and expansion of the industrial sector.

The purpose of the ITA is (1) to help public, private and joint venture industrial firms to make more productive use of technology, and to identify, assess and introduce new and suitable technology in an effective manner and (2) to institutionalize Egyptian capacity to provide such services.

The ITA addresses the problem of the absence of an accessible, credible source through which the business community can find useful information or technical assistance at a reasonable price to help it solve technological problems and identify and exploit technological opportunities.

The ITA will provide information and technical assistance to the Egyptian public and private industrial sector, initially through in-firm diagnostic studies. Later the ITA will provide technical information and help industrialists identify and arrange for assistance from qualified Egyptian specialists, or when the latter cannot be identified, from U.S. specialists. Services will be provided to financial and other institutions serving the industrial community, as well as to members of that community.

In addition, the ITA includes a campaign to increase general awareness of technology and the benefits available from systematic selection, improvement and proper use of it. It will spotlight developments likely to be of particular interest to Egyptian industry and generally promote project services. Finally, to ensure that the services are institutionalized, ITA activities will include training for staff involved in service delivery, consultancy services to strengthen overall management and central support services of the implementing agency. In some cases, training will also help firms strengthen their own research and development capacity.

- 7 -

### B. Implementation Plan

The ITA will be implemented by a unit which is expected to be created within the Engineering and Industrial Design Development Center (EIDOC) of the Ministry of Industry and Mineral Wealth. The new unit, tentatively, the Industrial Technology Application Program Unit ("ITAP Unit"), will be assisted during most of the life of the Project by a U.S. technical assistance team of three industrial engineers, including a team manager, and for two years by a technical information specialist. An external advisory committee, formed of representatives of the industrial and financial communities and of the public and private sectors, will advise, assist, promote, and evaluate the ITA. It is expected that the ITAP Unit will (1) directly assist companies, (2) serve as broker for assistance when it cannot directly assist companies, and (3) inform the business community of technological developments.

### C. Financial Plan

A.I.D. funding will be used to finance a host-country contract for this team, short-term U.S. and Egyptian technical assistance at the level of approximately 70 person-months for U.S. personnel and up to 150 person-months for Egyptian personnel, U.S. and in-country training for up to 150 person-months, documentation and access to formal and informal information networks, commodity procurement such as vehicles and office equipment, and a subgrant to EIDOC to finance the service of U.S. and Egyptian short-term consultants on the basis of purchase orders issued by EIDOC in conformity with A.I.D. regulations and procedures. Funds will be obligated for the full five years. Grantee will fund costs of EIDOC personnel, office space, support staff for ITAP, staff incentives, most operating costs in Egypt, support from other EIDOC departments and other Ministry agencies, support EIDOC management and support staff services. ITA clients will pay a fee for services received. Nominal at the start, the fee will gradually be raised so that fee revenues will fund an increasing portion of local costs and will fully finance ITAP by the end of the Project. An illustrative summary financial plan is set forth in Table IV.

### D. Evaluation

A.I.D. evaluation will occur on two levels: (1) "progress assessments" and (2) interim and final evaluations. The progress assessments will be brief reviews by an outside consultant at least semi-annually during the first two years of the ITA. The aim of the assessments will be:

## SUBACTIVITY IIT

## INDUSTRIAL TECHNOLOGY APPLICATION

SUMMARY COST ESTIMATE AND FINANCIAL PLAN

Items	AID		GRANTEE	TOTAL
	FX	LC	LC	
I.a. Per. I.P & Support	1,458	374	331	2,163
I.b. Per. ST &				
1. U.S.	700	270	-	1,000
2. Egyptian	-	146	71	217
II. Services	675	-	-	675
III. Info. Dis.	81	101	-	182
IV. Training	432	43	-	475
V. Commodities	216	-	-	216
VI. Operations	77	165	141	383
VII. Special Costs/	10	4	246	260
VIII. Evaluation	51	29	-	80
IX. Contractor, Overhead & Fee	1,000	-	-	1,000
X. Ind. Support	-	-	1,779	1,779
SUBTOTAL	4,005	1,435	3,467	8,907
Inflation	2,151	212	1,000	3,363
Contingency	172	116	100	388
TOTAL	<u>6,328</u>	<u>1,763</u>	<u>4,567</u>	<u>12,658</u>

By the A.I.D., Special Costs are programmed expenditures and as provision of more than consultants to assist EITAC in collecting and evaluating proposals.

For the duration, EITAC bears the 100% staff expense and maintains liability of officials with contract management responsibility.

- R -

- To compare what was planned with what was achieved and is being done in terms of inputs, outputs, methodology and progress toward planned end-of-Project status;
- To review and reassess assumptions underlying the ITA, and plans for the balance of the ITA; and
- To recommend to A.I.D., the EIDDC and its contractor any action indicated to correct weaknesses identified and ensure timely progress toward the desired end-of-Project status.

During the second half of the third year of the ITA, an in-depth interim evaluation will be undertaken by a team of A.I.D. direct-hire and independent specialists. Their evaluation will involve tapping at least the information sources, including interviews with ITAP Advisory Committee members, and a sample of ITAP clients and of people in other organizations (e.g. banks, research institutions, concerned ministries, and non-client industrial firms).

A final evaluation similar to the interim one will be undertaken in two phases, the first during the last two months of the ITA and the second eight to ten months later.

- 2 -

#### V. Innovative Productivity Activities (Subactivity IV)

The IPA will permit the Parties flexibility in identifying and responding creatively to constraints to industrial productivity. Creative interventions might include, but not be limited to, activities which (1) provide selected short-term business and other technical services and (2) respond to constraints and new opportunities in the area of small-scale enterprises credit. In some cases the response may be small, experimental or pilot-type interventions to test the efficacy of more substantial efforts. In other cases, timeliness may be far more important than the magnitude of the effort. The funding available under the IPA will provide a mechanism for quick, targeted response to problems.

In addition, the IPA may fund the development of integrated diagnostic tools which build on the experience of the management, technology and workforce diagnostic work of the activity contractors. Recognizing that productivity is ultimately not a single measure but rather a "family" of related measures, the Parties anticipate the need for multi-variable diagnostic problems in Egyptian enterprises or subsectors which suffer from complex constraints to efficiency.

The IPA will also be used to fund studies of industrial productivity and may support initiatives such as developing performance and productivity criteria for public enterprises, adapting international cost-accounting techniques to Egyptian accounting formats, or even small experiments in quality control technique or "productivity circles."