

U N C L A S S I F I E D

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

**PROJECT PAPER**

AMENDMENT #2

EGYPT: Local Development II  
(263-0182)

August 16, 1988

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AGENCY FOR INTERNATIONAL DEVELOPMENT  
PROJECT DATA SHEET

1. TRANSACTION CODE  
A = Add  
C = Change  
D = Delete  
Amendment Number (2)  
CODE 3-

COUNTRY/ENTITY EGYPT  
BUREAU/OFFICE Cairo

5. PROJECT NUMBER 263-0182  
5. PROJECT TITLE (maximum 40 characters) Local Development II

PROJECT ASSISTANCE COMPLETION DATE (PACD)  
MM DD YY  
09 30 92

7. ESTIMATED DATE OF OBLIGATION  
(Under 'D' below, enter 1, 2, 3, or 4)  
A. Initial FY B 15 B. Quarter 4 C. Final FY 91

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

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Approved Total	( 14,120 )	( 46,880 )	( 61,000 )	( 74,278 )	( 206,722 )	( 281,000 )
(Grant)	( )	( )	( )	( )	( )	( )
(Loan)	( )	( )	( )	( )	( )	( )
Other						
U.S.						
Host Country		29,844	29,844		92,139	92,139
Other Donor(s)						
TOTALS	14,120	76,724	90,844	74,278	298,861	373,139

9. SCHEDULE OF AID FUNDING (\$000)

APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECIL CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
1) ESF	280	720		231,000		150,000		381,000	
2)									
3)									
4)									
TOTALS				231,000		150,000		381,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)  
033 050 790 920 252 968  
11. SECONDARY PURPOSE CODES  
243,289,663,723

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)  
A. Code BR BU PART TNG PVON ENV DEL  
B. Amount

13. PROJECT PURPOSE (maximum 480 characters).  
To improve the capacity of local government to plan, implement and maintain locally chosen basic services projects and to improve their capacity to mobilize local resources to sustain the provision of services, through both the public and private sectors.

14. SCHEDULED EVALUATIONS  
Interim MM YY MM YY Final MM YY  
0 2 9 0

15. SOURCE/ORIGIN OF GOODS AND SERVICES  
 000  941  Local  Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page 11 Amendment)  
The USAID Controller concurs with the methods of implementation and financing as originally authorized.

*William Miller*  
William Miller, AD, CONT

17. APPROVED BY  
Signature: *Marshall D. Brown*  
Title: Director  
Date Signed: *Aug 14 1992*  
MM DD YY  
18. DATE DOCUMENT RECEIVED BY ADD/W, OR FOR AB/W DOCUMENTS, DATE OF DISTRIBUTION  
MM DD YY

PROJECT AUTHORIZATION

AMENDMENT NO. 2

Name of Country: Arab Republic of Egypt Name of Project: Local Development II  
Number of Project: 263-0182

1. Pursuant to Sections 531 and 532 of the Foreign Assistance Act of 1961, as amended, the Local Development II Program for Egypt was authorized on August 15, 1985 and amended on August 31, 1987. Section 1 of the first amendment is hereby amended as follows:

Pursuant to Sections 531 and 532 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize the Local Development II Program (the "Program") for the Arab Republic of Egypt ("Cooperating Country") involving planned obligations not to exceed Three Hundred and Eighty One Million United States Dollars (\$381,000,000) in grant funds over a five year period from the date of authorization, subject to the availability of funds in accordance with A.I.D. OYB allotment process, to help in financing the foreign-exchange and local-currency costs of goods and services required for the Program. Of the amount authorized for the Program, up to Fifty Million (\$50,000,000) is authorized for obligation in FY 1988. The planned life of the Program is approximately seven (7) years from the date of initial obligation.

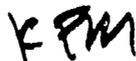
2. The authorization cited above remains in full force except as hereby amended.

  
\_\_\_\_\_  
Marshall D. Brown  
Director, USAID/Egypt

Aug 16 1988  
Date

Clearances: A/AD/PDS, VMolldrem  
AD/DR, FZobrist  
AD/FM, WMiller  
O/DR/!..AD, GBKerr  
DD, JPatterson



  
LEG:Kodonnell: 2669D/0016B:08/2/88



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

ACTION MEMORANDUM FOR THE DIRECTOR

DATE : July 31, 1988  
FROM : OD/DR/LAD, Graham B. Kerr *G. B. Kerr*  
THROUGH : AD/DR, Fred Zobrist *F. Zobrist*  
SUBJECT : FY 1988 Authorization for Local Development II  
Project (263-0182)

PROBLEM:

Your approval is required to authorize an increase in the subject project's authorized level of funding by \$150 million to a new total life-of-project funding of \$381 million.

DISCUSSION:

The project purpose is to improve the capacity of Egyptian local governments to plan, implement and maintain locally chosen basic services projects and to improve their capacity to mobilize local resources to sustain the provision of services through both the private and public sectors.

The Local Development II Project (LD II) was authorized in FY 1985 at an initial funding level of \$156 million, with obligation of \$61 million in FY 1985 and a subsequent \$95 million obligation in FY 1986. In FY 1987 the Project Paper and Authorization were amended to extend the Project Assistance Completion Date to September 30, 1992 and add an additional \$75 million to the Project, bringing total LOP funding to the present level of \$231 million.

As of June 30, 1988 approximately \$73 million had been expended to finance a planning process looking toward, inter alia, implementation of small infrastructure projects. Also, the project includes special pilot activities, training and technical assistance. About 4,350 local projects have been completed or are underway. All of the 26 provincial and urban governorates have now completed their first planning cycle and 25 governorates are now well into their second cycle. Total planned expenditure from LD II during FY 1988 is \$83.1 million. This will bring total LD II disbursements to about \$130 million by October 1, 1988.

The Private and Voluntary Organization (PVO) component of the Program, previously limited to Greater Cairo and Alexandria but now being implemented nationwide, has completed its first annual planning cycle, with total disbursements of \$1.7 million to finance 577 PVO projects in 23 governorates. The overall completion rate for these projects to date is about 90 percent.

The Rural Small Scale Enterprise (RSSE) Credit Program, designed jointly by the National Bank for Development (NBD) and Agriculture Cooperative Development International (ACDI) is now entering the operational phase, with lending activities scheduled to begin in June-July 1988. The pilot wastewater activity, which is financing improved wastewater treatment technologies in two pilot governorates, is also proceeding successfully.

Description of the Proposed Amendments: The Second Amendment to the Local Development II Program Paper (Attachment B) will authorize an increase in LOP funding of \$150 million as follows:

	(\$000)		
	<u>Authorized to Date</u>	<u>Proposed Addition</u>	<u>Total LOP</u>
Matching Block Grants - Urban	36,863	26,637	63,500
Matching Block Grants - Prov	132,777	91,723	224,500
PVO Fund - Urban	4,320	2,680	7,000
PVO Fund - Provincial	10,080	8,920	19,000
Special Projects	16,500	2,500	19,000
Technical Assistance	18,920	14,080	33,000
Training	3,120	880	4,000
Policy Analysis & Eval.	3,810	190	4,000
Contingency	<u>4,610</u>	<u>2,390</u>	<u>7,000</u>
 Total	 <u>\$231,000</u>	 <u>\$150,000</u>	 <u>\$381,000</u>

A draft of the Third Amendment to the LD II Grant Agreement has been prepared. It will obligate \$50 million in FY 1988 funds allocated as follows:

	(\$000)
Urban Matching Block Grants	\$ 8,113
Provincial Matching Block Grants	29,221
Urban PVC Grants	960
Provincial PVO Grants	2,240
Special Projects	4,133
Technical Assistance	<u>5,333</u>
 Total	 <u>\$ 50,000</u>

There will be no substantive changes in the scope of project activities as originally described in the Project Paper and its first amendment issued in August of 1987.

The condition precedent to disbursement of block grant and PVO funds which requires local governments to expend specified proportions of previously disbursed funds, before they can request new grants, was included in the predecessor projects Neighborhood Urban Services (NUS) and Basic Village Services (BVS) in 1985. It has also been included in all LD II implementation letters disbursing block grants to the governorates. It will be included in this amendment to emphasize its importance in the program.

Method of Financing: The method of financing approved in the LD II Project Paper and Grant Agreement remains valid and will continue to be employed. The Third Amendment to the Grant Agreement further clarifies conditions precedent for disbursement of AID funds.

Continued Validity of Program Design and Implementation Requirements: The design and implementation of the LD II Project presented in the 1985 Project Paper remain valid. There have been no changes in technology, host country laws, legal procedures or capabilities that would affect project implementation adversely. The annual amendment of the program agreement to obligate funds provides an opportunity to fine tune the design and adapt to changing circumstances.

Current design and evaluation plans call for a sector assessment in 1990. This assessment will draw on the findings of the Basic Village Services rural water assessment (March, 1988), and evaluations of the Rural Small Scale Credit program (June, 1989), the Pilot Wastewater Activity (December, 1989) and the Pilot Maintenance Systems (May, 1990). The technical assistance contractor DAC, will complete three local resource mobilization (LRM) studies in 1989. The Mission will also be considering a concept paper regarding governorate utilities during 1988/89. These items will form the basis for decisions about the continuation of the Local Development Program beyond the PACD of 9/30/92.

#### ISSUES:

An assessment of rural water systems, to which BVS contributed substantial resources, was completed in March under the auspices of the centrally funded Water and Sanitation for Health (WASH) project. The WASH Report cited problems such as the lack of coordination between institutions responsible for design and oversight of water and wastewater systems and the lack of technical and managerial skills at the local level. LD II was designed to address many of these issues and the recently mobilized provincial TA contractor's scope of work is also designed to address these issues. At an Executive review of the WASH evaluation on July 20, 1988 the following actions were agreed upon:

### Institutional Issues

To address the issue of inter-institutional coordination, the Office of Local Administration and Development (LAD) has begun discussions with the GOE to clarify the responsibilities of the various agencies charged with water delivery, maintenance and disposal. In addition, LAD is preparing a draft concept paper regarding establishing governorate utility companies to oversee the planning and implementation of village water systems.

### Increase Financial Resources

To address issues related to the shortage of funds for operations and maintenance, the design called for sizable commitments by the GOE. To date a total of LE 23.0 million in O&M funds has been disbursed to the governorates.

To reduce the governorates' dependence on central sources for O&M funds the Local Resource Mobilization (LRM) Sub-committee of the LD II Technical Amana is working to increase governorate prerogatives in charging and retaining appropriate user fees for services rendered.

### Improve Quality of Projects

Problems with the lack of technical expertise were addressed during preparation of the Terms of Reference for the provincial technical assistance contractor and in design of training programs aimed at improved operation and maintenance of basic services facilities, particularly village water and wastewater systems. The Provincial Local Development Committee and the LD II Amana will develop, for each governorate, revised project selection criteria, tailored to the needs of the governorate which will lead to a portion of available funds being used for more comprehensive projects. These will amount to fewer larger projects; one of the major recommendations of the WASH report.

The WASH report is a valuable management tool. It underlines the urgency of the situation and the need for the GOE to move forward expeditiously to reform policies which contribute adversely to the performance of village water and wastewater systems. DR/LAD will continue to utilize the recommendations of the report in our dialogue with the GOE and in the direction given to the expanded TA team.

### AUTHORITY:

In accordance with Delegation of Authority No. 653, dated September 1, 1986, you as Mission Director are authorized to amend this project authorization without referral to AID/W since to do so would neither (a) increase LOP to more than 10 years; (b) involve "significant policy issues"; nor (c) require waivers which only AID/W can issue.

RECOMMENDATION:

That you approve, by signing the attached second Local Development II Project Authorization Amendment, increasing incremental funding in the amount of \$150 million, bringing life-of-project funding to a new total of \$381 million.

APPROVED : Marshall B...

DISAPPROVED: \_\_\_\_\_

DATE : Aug 16, 1988

Enclosures: (A) Second Program Authorization Amendment

Clearance: LEG:KO'Donnell  
PDS/P:VMqldrem  
FM:WMiller  
DD:JPatterson

*ICFM*  
*[Signature]*  
*[Signature]*