

UNCLASSIFIED

UNITED STATES
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER
(Amendment No. 1)

EGYPT - SUEZ CEMENT PLANT PROJECT (ADD-ON)

Grant No. 263-0012

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>1</u>	DOCUMENT CODE <u>3</u>
2. COUNTRY/ENTITY <u>EGYPT</u>		3. PROJECT NUMBER <u>263-0012</u>		
4. BUREAU/OFFICE <u>NE</u>		5. PROJECT TITLE (maximum 40 characters) <u>Suez Cement Plant</u>		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>05 31 82</u>		7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <u>76</u> B. Quarter <input type="checkbox"/> C. Final FY <u>80</u>		

8. COSTS (\$000 OR EQUIVALENT \$1 = LE 0.70 in FY 80 & 0.39 in FY 76)

A. FUNDING SOURCE	FIRST FY <u>76</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	90,000	-	90,000	100,000	-	100,000
(Grant)	(90,000)	(-)	(90,000)	(100,000)	(-)	(100,000)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S.						
Host Country		71,500	71,500	3,387	81,909	85,356
Other Donor(s)						
TOTALS	90,000	71,500	161,500	103,387	81,909	185,356

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SA	700	800	-	90,000	-	10,000	-	100,000	-
(2)									
(3)									
(4)									
TOTALS				90,000	-	10,000	-	100,000	-

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

Finance U.S. source goods and services required to construct a million-ton-per-year cement plant near Suez City.

14. SCHEDULED EVALUATIONS	15. SOURCE/ORIGIN OF GOODS AND SERVICES
Interim MM YY MM YY Final MM YY	<input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)

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

Provide additional financing due to unanticipated escalations in cost during extended project implementation.

17. APPROVED BY	Signature	Date Signed MM DD YY <u>3/24/80</u>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY <u>04 02 80</u>
	Title Owen P. Cylke Acting Director		

EGYPT

SUEZ CEMENT PLANT

(263-0012)

AMENDMENT

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SUEZ CEMENT PLANT.

I. INTRODUCTION

PROBLEM DEFINED :

- 1.0. The FY 1976 project implementation plan has proven to be unrealistic and cost estimates have proven to be inadequate. The project is 20 months behind the original schedule, and cost overruns are in part a result of project delays. The revised cost for financing previously planned equipment procurements, plus added consultant services are beyond available GOE financing.

(A more detailed discussion is given in Section 4.01 below).

- 1.02 The GOE and USAID have now established a revised implementation plan and cost schedule which reflects current conditions. The procurement actions to be completed and civil construction quality and progress will be under close supervision by an expanded consulting service contract (see paragraph 4.02b). The project's experience and training will serve to strengthen host country planning and implementation systems.

THE PROJECT :

- 1.03 The scope and description of the project targets are as described in the original Project proposal. The project consists of construction of a cement plant and auxiliary facilities, the development of limestone and clay quarries to provide the bulk of the raw materials requirements of the plant, and the construction of electric power lines needed for its operation.

RELATIONSHIP TO CDSS :

- 1.03 The CDSS proposes an employment oriented growth strategy. Productive output is emphasized with a clear need for large levels of investment to rehabilitate and expand Egypt's industrial and infrastructural facilities. A good part of the productive expansion is dependent on basic construction materials (cement) being available in the quantity and quality required. The demand for cement is beyond present capacities and it is planned that by 1985 the AID-supported Suez and Quattamia Cement Plants will provide for a significant share of the construction industry demand.

SUEZ CEMENT PLANT
(263-0012)

II. SUMMARY AND RECOMMENDATION

1. Grantee : The Government of the Arab Republic of Egypt (GOE)
2. Executing Entities : Suez Cement Company (SCC) and the Egyptian Electricity Authority (EEA).
3. Amount : Amendment to add \$10.0 million for revised Life of Project costs of \$100.0 million (Chapter IV provides detailed schedule of source/use funds).
4. Terms : Grant to GOE to total \$100.0 million. \$64.9 million sub-loan to SCC, \$29.2 regrant to SCC and \$5.9 regrant to EEA.
5. Project Purpose : The Project is designed to support future investment in infrastructure, such as roads and ports, industrial and agricultural development projects and to reduce the need for cement imports.
6. Project Description : The Project consists of the construction of a cement plant and auxiliary facilities, the development of limestone and clay quarries to provide the bulk of the raw material requirements of the plant, and the construction of power lines needed for its operation.
7. Grant Application : The GOE has requested an additional U.S. \$10.0 million to finance foreign exchange cost escalations and U.S. consultant services (see Annex A). Funds will be allocated as follows :
 - a. \$3.7 million to finance extended and expanded engineering, management and training services.
 - b. \$1.3 million to finance foreign exchange cost escalations in transmission line equipment.
 - c. \$5 million for equipment, and shipping cost escalations above and beyond original estimates.
8. Source of U.S. Funds : Economic Support Funds.
9. Mission Views : The Mission fully endorses the Project. In accordance with Section 611 (e), FAA, the Mission Director has certified GOE capabilities to effectively maintain and support this project (See Annex B).

10. Environmental Impact : No negative impact was identified in original Project Paper.
11. Social and Beneficiary Analysis : Positive social and beneficiary benefits were identified in original project paper.
12. Grantee Contribution : The GOE will provide an estimated \$85.4 million (equivalent) required to finance :
 - a. Local Currency Costs of Construction.
 - b. Foreign Exchange costs in excess of \$100.0 million.
 - c. Local cost support of U.S. consultants.
13. Statutory Requirements : All statutory criteria have been met. (See Annex C).
14. Recommendation : That an additional Grant in the amount of \$10.0 million be authorized on terms and conditions set forth in the Grant Authorization and Amendments (Annex D).
15. Project Committee :

David C. Woody	Chairperson
Bill Shope	Loan Officer
Richard M. Williams	Engineer (Project Officer)
George M. Flores	Program/Operations
James Norris	Program/Economics
L. Michael Hager	Legal Counsel
Raymond DeBruce	Controller
16. Executive Committee: Members shown below have reviewed the Amendment and recommend approval :

Owen Cylke	DD/Chairman
Richard Dangler	AD/TIDPS
Stanley Applegate	AD/HSTD
J. Edwards	AD/AG
W. Tribble	AD/CI
L. Michael Hager	Legal Counsel
William Rice	Controller

III. BACKGROUND AND PROGRESS TO DATE

A. BACKGROUND :

3.01 In July 1976 USAID presented a project proposal to AID/W to grant finance the estimated \$90.0 million in foreign exchange costs for constructing a cement plant with a capacity to produce one million tons annually.* The FY 76 project was proposed as one part of the U.S. program in support of Egypt's economic reconstruction program and strategy to restore economic activity in the Suez Canal area.

3.02 The Project's technical, financial and economic analysis confirmed the need and viability of the proposal, noting the critical need of this basic product for U.S. supported development activities. Subsequently, studies relating to U.S. financing of the Quattamia Cement Plant reconfirmed the critical need for increased domestic production. See discussion of cement industry presented in original Project Paper and subsequent Project Paper on Quattamia Cement Plant (263-0051).

3.03 The AID-supported Suez Cement Plant and Quattamia Cement Plant are subsidiaries of the joint stock Suez Cement Company (SCC). The company was organized in 1976 under Law 43 of 1974 with the purposes of expanding cement production and supporting the development of a private sector company.

B. PROGRESS TO DATE :

3.04 On December 16, 1976, a contract between SCC and a U.S. consultant firm (H.K Ferguson, International) was successfully negotiated to provide managerial and technical services. Services to be provided include:

- Advising SCC on the organization of the Company and assisting with the preparation of administrative and accounting systems and procedures.
- Providing overall advice on project planning and scheduling.
- Preparation of tender documents for equipment and other contracts and assisting SCC in the evaluation of bids and contracting.
- Purchasing of equipment, as necessary.

* See Annex E for original FY 76 project cost estimates in foreign exchange and local currency.

- Detailed scheduling of construction activities, project management and construction supervision.
- Assistance with testing start-up and initial commercial operation.
- Plant training.

Design work has been required of the U.S. consultant only to the extent necessary for the preparation of tender documents for equipment purchases. Detailed plant engineering has been done by the cement production line equipment supplier (Fuller Company). They are also giving cement plant operations and maintenance training as the original H.K. Ferguson International subcontractor (Lone Star) has withdrawn from the training business. Most specialized civil construction and erection consulting services have been handled by local Egyptian Consultants under sub-contract to H.K. Ferguson International or direct contract with SCC.

3.05 Equipment for the plant has been purchased in seven major groups :

(1) Cement production line equipment, (2) mining equipment, (3) laboratory equipment, (4) workshop, (5) trucks and other vehicles, (6) electrical equipment, and (7) office equipment. Except for item 1 above, most purchasing has been done by H.K. Ferguson for SCC. Construction contracts were let to two Egyptian contractors held responsible for the construction of all civil work. Installation of electrical equipment and wiring is also being carried out by an Egyptian contractor. The cement production line suppliers (Fuller Co.) are furnishing erection engineers to supervise installation of their equipment.

3.06 Construction operations have begun, most of the AID-financed cement production equipment has arrived on site, bids have been received for electric transmission line equipment and necessary arrangements have been made for bringing water to the plant site south of Suez City. The project has not proceeded at the originally planned pace through no fault of the SCC, with significant delays being experienced in the civil construction performed by local contractors.

3.07 As of 12/31/79 the project has expended \$60.5 million from available grant funds of \$90.0 million (Letters of Commitment total \$85.2 million). Requests in-hand from SCC and EEA for additional commitment of funds total \$8.6 million with more requests expected in the near future.

3.08 Additional money is needed to cover escalations in the pricing of AID-financed cement production line equipment, electric transmission equipment and extended construction supervision services by the U.S. Consultant. So as to minimize the impact on the Suez Cement Company, a private company specially created for this project, it is proposed

that an additional \$10.0 million be given entirely in grant form to the GOE and regranted to the Company and EEA.

IV. REVISED FINANCING PLAN (Revised Inputs)

4.01 The following financial tables and discussion provide rationale and data to support additional grant assistance.

TABLE (A)
Revised Cost Estimates (000 omitted)

<u>Project Element</u>	<u>FX Costs</u>	<u>LE Costs</u>
1. Productive Assets		
a. Land and other fixed assets	-	1,663
b. Quarry and other equipment	15,315	500
c. Cement production line		
- Machinery and equipment (CIF)	61,811	-
- Spare Parts (CIF)	6,391	-
- Engineering	2,032	-
- Supervision of erection	1,023	414
- In-country transport & clearance	-	361
Sub-total	<u>71,257</u>	<u>2,938</u>
d. Civil construction and erection	-	33,323
Total	<u>86,572</u>	<u>36,261</u>
2. Consultant Services		
a. Construction supervision and equipment purchasing services.	8,066	2,216
b. Site engineering and testing	60	851
c. Management systems design	1,304	42
d. Training	985	230
Total	<u>10,415</u>	<u>3,339</u>
3. Electric Transmission Line		
a. Transmission towers	2,917	*
b. Conductor	1,894	*
c. Line hardware	938	*
d. Grounding	151	*
e. Substations	*	*
Total	<u>5,900</u>	<u>*</u>
4. Other Costs and Contingency		
a. Pre-project operating and administrative expenses	-	2,778
b. Interest during construction	-	10,000
c. Contingency	500	5,000
Total	<u>500</u>	<u>17,778</u>
Grand Total	\$ <u>103,387</u>	LE <u>57,378</u>

* Cost to be born by EEA - not included in Project Cost estimates.

Table (B)
Increases in FX Costs (000 omitted)

<u>Project element</u>	<u>Original FX costs</u>	<u>Revised FX costs</u>	<u>Increases</u>
1. Productive Assets	78,700	86,572	7,872
2. Consultant Services	6,700	10,415	3,715
3. Electric Transmission Line	4,600	5,900	1,300
4. Other Costs and Contingency	-	500	500
Totals	\$ 90,000	\$ 103,387	\$ 13,387

Table (C)
Source of Funds

	(000,000) <u>\$</u>	(000,000) <u>LE</u>
1. USAID Grant	100.0	-
2. Suez Cement Plant (GOE)		
- Bank Loans	1.1	48.4
- Founders Equity	2.3	9.0
	<u>103.4</u>	<u>57.4</u>

Table (D)
Application of AID Grant Funds (\$000 omitted)

	<u>Original</u>	<u>Changes</u>	<u>Revised Total</u>
1. Sub-loan by GOE to SCC to finance assets	\$64,900	-	\$ 64,900
2. Re-grant by GOE to SCC to finance assets			
a. Equity investment of public sector cement companies	13,800	-	13,800
b. Equipment and shipping cost escalations	-	+ 5,000	5,000
3. Re-grant to SCC to finance cost of U.S. Consultant Services	6,700	+ 3,700	10,400
4. Re-grant to EEA for electric transmission line	4,600	+ 1,300	5,900
	<u>\$90,000</u>	+ 10,000*	<u>\$100,000</u>

* Note : Amounts allocated for different line items may be increased or decreased within the total change amount authorized.

4.02 Revised Inputs - Rational

a. Productive assets :

The FY 1976 estimate for cement production line equipment engineering procurement, shipping and erection supervision, plus expected escalation during project implementation, was given at \$67.2 million. The cost of cement production line procurement and shipping has now escalated by an additional \$5.6 million as a result of unexpected delays in project implementation and higher than anticipated inflation. All of these costs are legally payable by the SCC as they are tied to escalation factors included in the original contract with the equipment suppliers (Fuller Co.). The SCC, a newly organized company, and USAID were overly optimistic in scheduling and gauging local construction contractor capacities. Significant delays have been experienced in civil construction and these have impacted the delivery schedule for equipment.

b. Consultant Services :

As a direct consequence of the delays in project implementation, U.S. based consultant services described in section 3.04 must be extended for a longer period of time. Initially these were to last for 39 months from the date of agreement (May 1977). It is necessary to extend these services for an additional 20 months to provide continuous services during construction, start-up testing and the initiation of commercial operations. At the same time, the scope of the U.S. based consultant services will be increased to give more careful control over the quality and pace of civil construction and the installation of plant instrumentation and operational control devices. The summary cost of these extended and expanded services are included in the estimates itemized in 4.01; additional details are found in Annex F.

c. Electric Transmission Line :

The FY 1976 cost estimates for electric power equipment were inadequate and did not take into account the high inflation of the past three years. Equipment bids now total \$5.9 million. Performance by the EEA will be closely monitored and schedules for completion are being coordinated by U.S. contract personnel at the Suez Cement Plant.

V. PROJECT ANALYSIS :

A. Technical Analysis :

5.01 The one million ton/year cement plant is located between adjacent limestone and clay quarries (about 5-12 kilometers apart) in a remote area 40 km south of Suez City and 15 km from the Red Sea. The plant to be constructed and equipped is similar in type and capacity to that called for in the original Project Paper in July, 1976. Included in this project is complete financing of imported cement production line and quarry equipment. Civil construction is the responsibility of SCC.

5.02 Support Facilities : Financing of an electric transmission line to bring power to the site is also included in the project; EEA is providing its own foreign exchange to finance the substations at both ends of the line. EEA is also providing all local LE funds for construction of the transmission line. A permanent supply of fresh water for operating the plant is being brought in by pipeline from Suez City, with foreign exchange funds coming from the USAID-financed Canal Cities Water Project.* A temporary water supply available from deep wells near the plant site may have to be developed to support plant start-up operations. This, along with the provision of electric power, is being carefully coordinated with the progress of the cement plant itself.

5.03 USAID considers the design of plant and support facilities to be correct. With the added \$10.0 million, project costs and targets will be met under the revised schedule.

B. Management and Manpower Appraisal :

5.04 The organization plan for SCC provides for seven departments : (1) production, (2) maintenance, (3) purchasing, (4) quality control, (5) financial management, (6) administration, and (7) legal counsel. The total staffing level is projected at 370 employees. The former Managing Director of the Tourah Cement Company is acting as ad interim Chairman and Managing Director for SCC until its organization is complete. Other full-time professional employees including a legal advisor, financial manager, plant manager, personnel manager, erection advisor, five accountants, five senior engineers and 28 junior engineers. The existing cement companies make other staff available to SCC as needed until SCC can recruit and train its own staff.

5.05 The recruiting and training of staff is requiring a major effort. Presently, technicians and skilled workers familiar with mining and cement manufacturing operations are available only to the extent they can be borrowed from existing companies. However, operations and maintenance

*The Canal Cities Water Project was conceived to serve the needs of the growing communities along Suez Bay and the Gulf of Suez, including the Cement Plant.

staff are being trained by the project to assume full responsibility in the scope of this project. Other services are provided by ASEC, an Egyptian-Swiss firm which has supplied much of the technical expertise in the preparation of project plans. USAID considers that with intensive recruitment and training at all technical and management levels and the provision of supervisory/technical/managerial advisory assistance, project objectives will be met including the capacity for continued operations and maintenance.

C. Financial Analysis :

5.06 The project was organized under the SCC joint stock company newly formed in 1977 under Law 32 (a revision of Law 43 of 1974). Ownership of 34 percent of the stock is by the four existing cement companies, 45 percent by banks and insurance companies, and 21 percent by the private sector. The subscription of the cement companies (L.E. 3.4 million) has been financed by an allocation of \$13.8 million from the previous A.I.D. grant, with the subscription of the banks and insurance companies coming from their own funds. As required by Law 43, 10% of the original capital (L.E. 1.6 million equal to \$2.3 million) was subscribed in foreign exchange from private sector sources.

5.07 The company is turning to USAID for add-on financing needed to complete the Suez Cement Plant Project, up to the limit imposed by Section 6.20 (K), FAA (\$100 million). As the contract with the U.S. consultant is a requirement of AID, it is in the interest of AID to pay the full additional costs of retaining that consultant. Money for the transmission line was provided to EEA in this project to insure that electric power would be available on-time; it is not within the capability of SCC to supplement EEA financing. Similarly, AID had from the beginning intended to finance the cost of U.S. source cement production line equipment in full; through no fault of the SCC, this equipment now costs more.

5.08 Recently the Ministry of Finance has ruled that the Suez Cement Plant sub-loan of \$64.9 million must be repaid to the GOE at the rate of 70 piasters/dollar rather than the \$39 piasters/dollar rate pertaining at the time the loan was made. So as to lighten the repayment burden on the SCC, the GOE has agreed to a procedure which has the affect of forgiveness of part of the loan. In this approach covenant 5.10 of the Suez Agreement (The revolving fund set up to receive SCC repayments of the GOE sub-loan for Suez) would be amended to permit using the fund as a device for improving the financial health of the SCC. The stated first responsibility of the fund will be to make grants to the SCC-as necessary to keep constant the L.E. repayments of the SCC after adjusting the exchange rate for repayment from 39 to 70 piasters/dollar. Progressively these grants to the SCC will total \$28.7 million and effectively reduce the original AID subloan from \$64.9 million to \$36.2 million (the current dollar equivalent of the original L.E. debt). The sequence of steps for implementation of this approach are as follows :

- A. Amend Suez grant authorization to include new conditions precedent and covenant for revolving fund. Wording is included in this project paper.
- B. Approve by-laws for disbursement from fund on behalf of Suez project by letter exchange with GOE.
- C. Amend Conditions Precedent and Covenant 5.10 of Suez Grant agreement as necessary.

Details on the financial structure of the SCC after this new Grant and draw-down on the revolving fund are given in Annex G.

5.09 Proforma^a production and marketing programs for 1981-88 plus projected income statement and balance sheets for years 1982-90 are given in Annexes H, I and J. These were extracted from the Suez Cement Company Annual Report for 1978 as published in March 1979. The projections are based on current controls on cement prices. With the delays in project implementation, these projections are approximately one year out of phase.

5.10 USAID considers the company's financial accounting system to be adequately organized. Systems of management and cost control information have been designed by a U.S. consultant (Coopers & Lybrand) to be implemented during plant start-up operations.

D. Economic Analysis :

5.11 The original grant paper calculated the economic internal rate of return for the Project to be 14.6%. Since that analysis in mid-1976, the economic input and output prices for cement production have increased significantly. A revised analysis has been carried out to assess the net impact of the increase in world market cement prices to \$65/MT versus the price of \$36/MT used in the original grant paper, the doubling in the price of petroleum fuel, the increase in the shadow price of electricity to at least \$.065/kwh, general increase in other capital and operating input costs and a revised implementation schedule. The new calculation yields a slightly higher IRR of 16.0% showing the project to still be justified economically. Detailed calculation for this analysis are given in Annex K.

VI. PROJECT IMPLEMENTATION

A. IMPLEMENTATION STATUS AND SCHEDULE :

6.01 As of the date of this Project Paper, the implementation status of the project was as follows :

- a. Civil Construction - 33% complete
- b. Cement Production Line Procurement - 80% complete
- c. Quarry Equipment Procurement 85% complete
- d. Workshop Equipment Procurement - 75% complete
- e. Laboratory Equipment Procurement - 80% complete
- f. Transmission Line Procurement - 20% complete
- g. Limestone Quarry Opening - 45% complete
- h. Clay Pit Opening - 55% complete
- i. Equipment Installation - 2% complete.

6.02 The implementation schedule for completion of the project is as follows :

Civil Construction complete	July	1981
Plant erection complete	Nov.	1981
Electric Power available	Nov.	1981
Water supply available	Nov.	1981
Plant start-up and testing	Dec.	1981
Commercial operations begin	March	1982
Termination of disbursements	June	1983

Completion dates are based on the best judgement of the USAID mission. As such they are slightly conservative projections of the U.S. construction supervision consultant's estimates. Since items 6.01 b & c above (both nearly complete) represent the bulk of the AID-financed foreign exchange costs of the project, no additional unforeseen cost escalations are expected.

VII. CONDITIONS PRECEDENT

The following Conditions Precedent to disbursement of additional funds under the First Amendment will, in substance, be included both in the Amended Authorization and in the Amended Agreement :

1. An executed sub-grant amendment between the GOE and SCC*, acceptable to A.I.D., to be used to cover the foreign exchange cost of consulting and training services and to finance assets, including the \$13.8 million used by SCC to issue stock to the four cement companies which participated in the formation of the company.
2. An Amendment to the sub-grant agreement between the GOE and EEA*, satisfactory to A.I.D., to cover foreign exchange costs of constructing a power transmission line to connect the SCC plant to the national grid;
3. An executed contract amendment between SCC and H.K. Ferguson, International for consulting services required for the execution of the Project.
4. An executed contract amendment between SCC and the Fuller Co. for operations and maintenance training services.
5. Evidence that the Minister of Housing has established and made fully operational the Revolving Fund under an amended Section 5.10 of the Grant Agreement, including the adoption of by-laws, the establishment of administration of the Fund, and a definition of eligible uses.
6. An executed agreement among the Grantee, the Minister of Housing and SCC which provides for reimbursement and grants to SCC under the Revolving Fund.

* Amounts to be regranted will be determined specifically after cost of EEA transmission line towers is known precisely and U.S. consultant costs assignable to Suez Cement Plant Project (as differentiated from those assignable to Quattamia Cement Plant Project) have been fixed. Only then can the net amount regrantable to SCC to finance assets be derived. See Table D on page 8 for estimated amounts for each use.

100089



MINISTRY OF ECONOMY
AND ECONOMIC COOPERATION

Economic Cooperation

Mr. Donald S. Brown
Director
U.S. Embassy
CAIRO

ANNEX A
Page 1 of 3

ACTION TO	FDPS	DATE	2/3
ACTION TAKEN		DATE	2/3
NAN			

CON

Cairo Jan., 1980

Dear Sir,

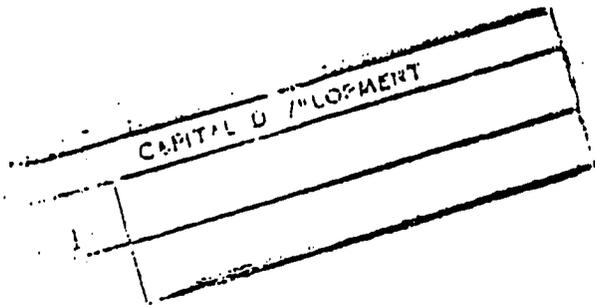
Reference to AID Grant Agreement N°, 263-0012 for Suez Cement Plant signed on July, 31, 1976 between United States of America and Egypt up to \$ 90 million.

Due to prices increase which lead to a substantial raise in the foreign Exchange costs, the Government of Egypt, asks for a grant of \$ 10 million as an additional financial assistance for the said project.

It would be appreciated if U.S. AID would look favourably to this request on the scope and level of assistance that AID could provide in 1980 and future years.

Sincerely yours,

ABDEL AZIZ ZUHAY
Under Secretary of State
for Economic Cooperation



SUEZ CEMENT Co.

S. A. E.

B 3 - 23rd. JULY HOUSES

ABBASSIA - CAIRO

EGYPT

TEL. 827682

ANNEX A

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Cairo, January 8, 1980.

Mr. Richard M. Williams,
Project Officer,
Office of Industrial Development,
U.S. AID,
Cairo.

Subject: Loan Agreement - Suez Cement Project

Dear Mr. Williams,

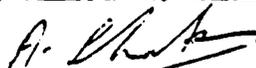
We are sending you attached herewith a copy of our letter, dated 2nd instant, addressed to H.E. the Minister of State for Economic Co-operation, whereby we refer to our previous letter to him dated December 25, 1979 informing him that the foreign currency requirement for Suez Cement Project is expected to exceed the U.S. Grant of \$ 90 million by a further amount of approx. \$ 10 million, and consequently asked him to address a letter to you to that effect.

In our letter of Jan. 2, we have requested H.E. The Minister to address to you another letter confirming our undertaking that S.C.Co will provide and finance by its own means any foreign currency costs in excess of the \$100 million which is the maximum that could be appropriated by AID for one Project.

Thanking you for your co-operation and assistance.

Very truly yours,

Eng. Ahmed A. Shaker,



Chairman & Managing Director.

١٩٨٠ / ١ / ٢

السيد الأستاذ / وزير الدولة للتعاون الاتعمادي

تحية طيبة وبعد ،
الحاقا بكتابنا رقم ٣٧٢٣ بتاريخ ١٩٧٩ / ١٢ / ٢٥ والذي احطنا سياتكم فيه بأن تكلفة مشروع أسنت السوير من النقد الاجنبي سوف تتجاوز المبلغ المخصص له بموجب النحة المقدمة للحكومة المصرية من الحكومة الامريكية البالغة ١٠ مليون دولار أمريكي بحوالي عشرة ملايين دولار للاسباب التي اوردناها تفصيلا بكتابنا مالف الاشارة اليه ، علما بأن وكالة التنمية الدولية الأمريكية A I D أبدت استعدادها لتقديم هذا التحويل الاضافي عند تلقيها طلبا بذلك من سياتكم .

تشرف بالافادة بأن وكالة التنمية الدولية الأمريكية A I D قد طلبت منا ايضا توجيه كتاب اليها من سياتكم يفيد بأن شركة السوير للأسنت سوف تقوم بمعرفتها بتدبير أية تجاوزات من النقد الاجنبي لمبلغ المائة مليون دولاره وهو الحد الاقصى المسموح للوكالة بتخصيصه لـ من المشروعات التي تقوم بتحويلها .

برجاء التكرم بالاحاطة والتكرم بالكتابة الى الوكالة المذكورة ، علما بأننا نتعمد من جهة تدبير وتحمل أية مبالغ اضافية من النقد الاجنبي قد تزيد عن المائة مليون دولار المصولة من وكالة التنمية الدولية الأمريكية والمخصصة لمشروع أسنت السوير .

وان نكرر شكرنا لسياتكم للمعاونة والمناصرة اللتين نلقاهما منكم دوما ،
لنرجوان تفضلوا بقبول وانرف التحية والاحترام .

مهندس / أحمد علي شاكر

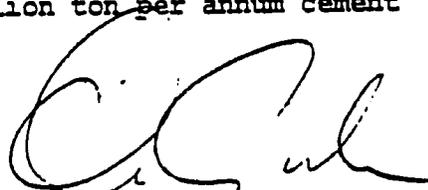
رئيس مجلس الادارة والمضوالت

ح /
الوزير للتعاون
السيد /

ANNEX (B)

EGYPT - SUEZ CEMENT COMPANY PROJECT
CERTIFICATION PURSUANT TO SECTION 611 (e)
OF THE FOREIGN ASSISTANCE ACT OF 1961
AS AMENDED

I, Owen Cylke, the Principal Officer of the Agency for International Development, Egypt, having taken into account, among other things, the maintenance and utilization of projects in Egypt previously financed by the United States, do hereby certify that in my judgement Egypt has both the financial capability and human resources capability to effectively maintain and utilize the capital assistance to be provided for the construction of a one million ton per annum cement plant.



Owen P. Cylke
Acting Director
USAID - EGYPT

Annex C
Statutory Checklist

5C (1) - COUNTRY CHECKLIST

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

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights?
Not all will directly benefit the needy. The Dept. of State has made no such determination.

2. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?
No.

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

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?
None of the known claims meet these criteria. The GOE-USG joint Commission have reached agreement on such debts.

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

The Secy. of State has determined that forming the Joint Commission constitutes taking such steps within the meaning of this sect.

6. FAA Sec. 620(a), 620(f), 620D; FY 79 App. Act, Sec. 108, 114, and 606; FY 80 App. Act, Sec. (511, 512 and 513.)
Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos or Vietnam? Will assistance be provided to Afghanistan or Mozambique without a waiver?

No.

No.

N/A

7. FAA Sec. 602(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

The President has not so determined.

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

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

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

Egypt has reactivated an OPIC Agreement with the U.S..

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

There is no known instance of such acts.

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

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

11. FAA Sec. 620; FY 79 App. Act. Sec. 603; FY 80 App. Act. Sec. (518.)

(a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds?

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

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

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

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

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

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

Egypt has paid all of its outstanding UN obligations.

15. FAA Sec. 620A, FY 79 App. Act, Sec. 607; FY 80 App. Act, Sec. (521.) Has the country granted sanctuary from proscription to any individual or group which has committed an act of international terrorism? No.
- Has the country granted sanctuary from prosecution to any individual or group which has committed a war crime? No.
16. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA? No.
17. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon State" under the nonproliferation treaty? No.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria. N/A

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

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

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

2. Economic Support Fund Country Criteria.

a. FAA Sec. 502B. Has the country (a) engaged in a consistent pattern of gross violations of internationally recognized human rights or (b) made such significant improvements in its human rights record that furnishing such assistance is in the national interest? No.

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

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

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

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

5C (2) - PROJECT CHECKLIST

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

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

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FY 80 App. Act Unnumbered; FAA Sec. 634A; Sec. 553(b);
(a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?
(a) An "Advice of Program Change" will be transmitted to the appropriate committees of Congress
(b) The intended obligation is within the level of funds appropriated for Egypt for FY 1980.
2. FAA Sec. 611(a) (1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
(a) yes
(b) yes
3. FAA Sec. 611(a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
No further legislative action is required to implement the project except ratification of the signed Grant Agreement.
4. FAA Sec. 611(b); FY 79 App. Act Sec. 101; FY 80 App. Act Sec. (501.) If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?
Not applicable.

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

Yes, Mission Director's certification is appended to Project Papers.

6. FAA Sec. 309. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

No.

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

The Grant will increase the flow of international trade and improve technical efficiency of industry, agriculture and commerce.

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

Most of the funds expended are for goods and services from private US concerns.

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

The Project Agreement provides for SCC financing of local currency expenditures.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? US owned local currency will not be used.

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

12. FY 79 App. Act, Sec. 608; FY 80 App. Act Sec. (521.) If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No. The current production is intended for domestic use.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b): 111; 112; 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts Not applicable.

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

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

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

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

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

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

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

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

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

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

(iv) reconstruction after natural or manmade disaster;

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

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

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

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

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

f. FAA Sec. 261(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's

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

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

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. Not applicable.

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

3. Project Criteria Solely for Economic Support Fund

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

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

(a) Yes. By promoting the efficient domestic production of cement, it will support future investment in infrastructure, such as roads and ports, which have deteriorated in recent years. Section 102 policy directions are reflected in the essential reduction in import requirements and increased employment potential.

5C(3) - STANDARD ITEM CHECKLIST (b) No.

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Use of small business procedures will be considered if appropriate to the nature and magnitude of procurements.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will commodities be insured in the United States against marine risk with a company or companies authorized to do marine insurance business in the U.S. Yes.
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? There shall be no such procurements.
5. FAA Sec. 603 Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. Yes
6. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? Consideration will be given to use of excess property when practical.

Technical assistance services will be obtained on a contract basis with U.S. private enterprise firms.
7. FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services from private enterprise, be furnished on a

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

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

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

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

B. Construction

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

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

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million? No, it will not exceed \$100 million.

C. Other Restriction

1. FAA Sec. 122(b). If development loan, Not applicable (Grant). Is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Not applicable.
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? The Project Grant Standard Provisions Annex so stipulate
4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, sale, longterm lease, exchange or guaranty of motor vehicles manufactured outside the U.S.? Yes.
5. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization? Yes.
- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes.
- c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
- d. FAA Sec. 662. For CIA activities? Yes.
- e. FY 79 App. Act, Sec. 104; FY 80 App. Act Sec. [504.] To pay pensions, etc., for military personnel? Yes.
- f. FY 79 App. Act, Sec. 106; FY 80 App. Act. Sec. [506.] To pay U.N. assessments? Yes.

- g. FY 79 App. Act. Sec. 107; FY 80 App. Act. Sec. [507.] To carry out provisions of FAA section 209(d)? (Transfer of FAA funds to multilateral organizations for lending.) **Yes.**
- h. FY 79 App. Act. Sec. 112; FY 80 App. Act. Sec. [511.] To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? **Yes.**
- i. FY 79 App. Act. Sec. 601; FY 80 App. Act. Sec. [515.] To be used for publicity or propaganda purposes within U.S. not authorized by Congress? **Yes.**

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



THE ADMINISTRATOR

ANNEX D

SECOND AMENDMENT
TO
GRANT AUTHORIZATION

Name of Country: Arab Republic
of Egypt

Name of Project: Suez Cement
Project

Number of Project: 263-0012

Pursuant to Part II, Chapter 4, Section 531, of the Foreign Assistance Act of 1961, as amended, the Suez Cement Project for the Arab Republic of Egypt was authorized on June 30, 1976 and amended on July 28, 1976. That Authorization, as amended, is hereby further amended as follows:

1. The amount of the Grant is revised to read "not to exceed One Hundred Million dollars (\$100,000,000)".

2. Paragraph 4 (Covenants) shall be amended to add a new covenant as follows:

"(d) Revolving Fund. All repayments by SCC to the Grantee pursuant to the loan agreement shall be placed in a Revolving Fund ("Revolving Fund"). The Revolving Fund shall be deposited in the National Bank of Egypt. The control of the Revolving Fund shall be vested in the Minister of Housing and the Fund shall be available only for investment in projects of SCC and the building materials industry. Priority obligations of the Fund will include reimbursement of SCC for costs which were not contemplated on the date of the original loan agreement, and grants to SCC, as necessary, to enable it to attract loans from domestic and international lending institutions for the procurement of consulting services, equipment and infrastructure".

3. A new paragraph 4, "Conditions Precedent to Disbursement for Electric Transmission Line from Additional Funds Made Available Under the First Amendment to the Grant Agreement" is added as follows:

"Prior to any disbursement or to the issuance of any Letter of Commitment for the electric transmission line from the additional funds made available under the First Amendment to the Grant Agreement, the Grantee shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID, an executed Grant Amendment between GOE and EEA to finance the foreign exchange costs of equipment and materials required for the construction of a power transmission line and related facilities to connect SCC's plant to the national grid."

4. A new paragraph 5, "Conditions Precedent to Disbursement for Purposes Other than the Electric Transmission Line from Additional Funds Made Available Under the First Amendment to the Grant Agreement" is added as follows:

"Prior to any disbursement or to the issuance of any Letter of Commitment from the additional funds made available under the First Amendment to the Grant Agreement for purposes other than the electric transmission line, the Grantee shall, except as AID otherwise agrees in writing, furnish to AID in form and substance satisfactory to AID:

(a) An executed grant amendment between the GOE and SCC for the increased foreign exchange costs of consulting and training services and equipment and materials for the project.

(b) An executed contract amendment between SCC and H.K. Ferguson, International for consulting services required for execution of the project.

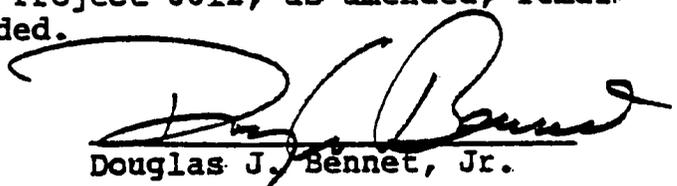
(c) An executed contract amendment between SCC and the Fuller Co. for operation and maintenance training services.

(d) Evidence that the Minister of Housing has established and made fully operational the Revolving Fund referred to in Section 5.10 of the Grant Agreement, as amended, including the adoption of by-laws, the establishment of administration of the Fund, and a definition of eligible uses.

(e) An executed agreement among the Grantee, the Minister of Housing and SCC which provides for reimbursement and grants to SCC under the Revolving Fund referred to in Section 5.10 of the Grant Agreement, as amended."

5. Paragraphs 4 and 5 of the Authorization, as amended, shall be renumbered as 6 and 7.

6. The Authorization for AID Project 0012, as amended, remain in force except as hereby amended.


Douglas J. Bennet, Jr.

May 27, 80
Date

Clearances:
NE/PD: Selig Taubenblatt ASL Date 5/13/80
NE/DP: Bradshaw Langmaid JS Date 5/14/80
NE/EI: Gerald Kamens JK Date 5/13/80
GC/NE: John E. Mullen JEM Date 5/13/80

Clearance: JHA Date 5/12/80
GC: N Holmes NH

Drafter: TC  : paj: GC/NE: 5/13/80

ANNEX E
ORIGINAL PROJECT COST ESTIMATES

<u>COST CATEGORY</u>	<u>FOREIGN EXCHANGE</u> (in \$ 000's)	<u>LOCAL COSTS</u> (in LE 000's)
(a) <u>SCC Assets</u>		
1. Land & Improvements	\$ 105	LE 786
2. Mining Equipment	6,480	131
3. Cement Plant Equipment	50,150	1,095
4. Cement Plant Construction	-	7,498
5. Transport Equipment	2,040	491
6. Contingency & Escalation	<u>19,970</u>	<u>3,401</u>
SUB TOTAL	78,700	13,402
(b) <u>Services</u> :		
1. Engineering & Management	4,000	556
2. Training	1,000	78
3. Contingencies & Escalation	<u>1,700</u>	<u>211</u>
SUB TOTAL	6,700	845
(c) <u>Power and Water</u> :		
1. Power Transmission and Substations.	3,400	296
2. Water Line from Suez.	-	751
3. Contingencies & Escalation	<u>1,200</u>	<u>1,267</u>
	4,600	4,994
(d) <u>Other Costs</u> :		
1. Pre-Project Expenses	-	603
2. Administrative Expenses	-	597
3. Working Capital	-	3,114
4. Interest during Construction	-	4,129
5. Contingencies & Escalation	<u>-</u>	<u>203</u>
SUB TOTAL	-	8,646
GRAND TOTAL	\$ 90,000	LE 27,887

ANNEX F

U.S. CONSULTANT SERVICES DOLLAR COSTS

<u>ORGANIZATION :</u>	<u>Original</u> <u>Budget.</u>	<u>Total cost</u> <u>to 30 Nov.</u> <u>1979.</u>	<u>Estimated</u> <u>cost to</u> <u>complete</u>	<u>Total</u> <u>Projected</u> <u>cost</u>
A. H.K. Ferguson, Intl. contract				
1. H.K. Ferguson, Intl. (Construction supervision)	3,151,840	2,213,557	3,820,014	6,033,571
2. H.K. Ferguson (purchasing & technical backstopping)	971,260	1,106,588	296,656	1,403,244
3. Coopers & Lybrand (management systems)	1,012,700	1,303,700	-0-	1,303,700
4. Bendy Engineering (technical consulting)	188,400	129,988	139,052	269,040
5. Morrison-Knudsen (technical consulting)	347,200	171,473	195,727	367,200
6. Lone Star Industries* (training)	686,900	23,245	-0-	23,245
7. Arab-Swiss Engr. Co. (site engineering)	15,100	7,630	14,370	22,000
8. Arab Consulting Engineers (site engineering)	3,200	3,268	6,732	10,000
Sub-total	6,376,700	4,459,449	4,470,551	9,430,000
B. Fuller Co. contract (technical training)	140,000	140,000	845,000	985,000
TOTALS	6,516,700	5,099,444	5,315,551	10,415,000

* Withdrew from project when company went out of the training business.

Annex G
SUEZ CEMENT COMPANY
FINANCIAL STRUCTURE

1. In letter No. 100089 of January 1980, Mr. Abdel Aziz Zahwy, Undersecretary of state for Economic Cooperation requested an additional \$ 10 million grant from USAID to finance cost overruns on the Suez Cement Plant. The additional foreign exchange request would bring total Grant financing of the Project to \$100 million.

Loan financing of \$95 million has also been provided for the Quattamia Cement Plant, a related cement plant, both under the Joint-Stock Suez Cement Company (SCC).

2. While increasing the Suez Cement Plant Grant Agreement by \$10 million, certain amendments are proposed to allow some relief in the loan repayment obligations of the SCC to the GOE* and to improve the debt/equity ratio of the Company. These are being done to place the company into an overall position to secure necessary financing from IFC and other commercial sources to implement the Quattamia Cement Plant.

The above would be achieved by amending Covenant 5.10 of the Suez Agreement to serve as a preamble to specific by-laws to govern disbursements from the revolving fund set up to receive SCC repayments of the GOE subloan for Suez. The first responsibility of the Fund will be to make Grants to the SCC as necessary to keep constant the L.E. repayment obligations of the SCC after adjusting the exchange rate for repayment from 39 to 70 piasters/dollar. Progressively these grants to the SCC will total \$28.7 million and effectively reduce the original AID subloan from \$64.9 million to \$36.2 million (the current dollar equivalent of the original L.E. debt). The sequence of steps for implementing this plan are as follows :

- A. Amend Suez Grant Authorization to include covenant for revolving fund.
- B. Approve by-laws for disbursement from fund on behalf of Suez Project by letter exchange with GOE.
- C. Amend conditions precedent and covenant 5.10 of Suez Grant Agreement as necessary.

With the above changes the SCC debt for AID and other loans would effectively be L.E. 74.5 million. Total equity after revaluation of assets at 70 piasters/dollar would be L.E. 43.9 million, for a debt/equity ratio

* Recently, the SCC was told that they must repay the Suez subloan at the new L.E./\$ exchange rate (70 piasters to the dollar) rather than the rate considered "Official" at the time the financing was set up (39 piasters to the dollar).

of 63:37. Details on the financial structure of the Suez Cement Plant only are found in attachment # 1 immediately following.

3. Later, when the Quattamia Cement Plant Project is being implemented, up to \$20.6 million more will be granted to the SCC as necessary to enable the Company to attract loans from IFC and other lending institutions. This would have the effect of reducing the Suez Plant sub-loan by the same amount. As before, AID would first approve by-laws for disbursement from fund on behalf of Quattamia Project by letter exchange with GOE.

With these additional changes the SCC debt for AID and other loans would effectively be L.E. 178.6 million. Total equity after revaluation of assets at 70 piasters/dollar would be L.E. 90.9 million, for a debt-equity ratio of 66:34. Details on the financial structure of the SCC after these additional drawdowns from the revolving fund are found in attachment # 2.

Attachment # 1
SUEZ CEMENT COMPANY (SCC)
FINANCIAL STRUCTURE-SUEZ CEMENT PLANT ONLY

1. Total equity of the company of L.E. 43.9 million (\$ 62.7 million) is distributed approximately as follows :

	<u>L.E. Million</u>
a. Original paid in capital	16.0
b. Revaluation of SCC Suez Plant assets from 39 to 70 piasters/\$ (\$90 million original AID grant less \$4.6 million for EEA and \$6.7 million for Ferguson services times (.70 - .39))	24.4
c. New AID grant for Suez Plant (\$5.0 million) for equipment cost escalations, as paid in surplus to the company.	3.5
Total Equity	<u>43.9</u>

2. Currently scheduled loans of the company are :

a. Remainder of the AID subloan for Suez Plant (\$36.2 million converted at 70 piasters/dollar)	25.3
b. Foreign exchange (non-U.S.) loan for Suez (\$1.1 million)	0.8
c. Local currency loans for Suez.	48.4
Total	<u>74.5</u>

Attachment #2
SUEZ CEMENT COMPANY (SCC)
FINANCIAL STRUCTURE

1. Total equity of the company of L.E. 90.9 million (\$ 129.9 million) is distributed approximately as follows :

	<u>L.E. Million</u>
a. Original paid in capital	16.0
b. New shares purchased by founders for Quattamia Plant	16.0
c. New shares contributed to founders from subgrant portion of AID loan for Quattamia Plant (\$2.9 million)	16.0
d. Shares purchased by private investors in L.E. for Quattamia Plant.	4.0
e. Shares purchased by private investors and/or IFC in \$ for Quattamia Plant.	4.0
Total par value of stock	<u>56.0*</u>
f. Revaluation of SCC Suez Plant assets from 39 to 70 piasters/\$ (\$90 million original AID grant less \$ 4.6 million for EEA and \$ 6.7 million for Ferguson services times (.70 - .39)).	24.4
g. Premium paid by new investors and IFC for shares in Quattamia Plant.	1.0
h. New AID grant for Suez Plant (\$5.0 million) for equipment cost escalations, as paid in surplus to the company.	3.5
i. Remainder of subgrant portion of AID loan for Quattamia Plant (\$8.6 million).	<u>6.0</u>
Total Equity	<u>90.9</u>

2. Currently scheduled loans of the company are :

a. Remainder of the AID subloan for Suez Plant (\$15.6 million converted at 70 piasters/dollar).	10.9
b. Foreign exchange (non-U.S.) loan for Suez (\$1.1 million)	0.8
c. AID reloan for Quattamia Plant (\$ 58.5 million)	41.0
d. IFC loan for Quattamia Plant (\$30 million)	21.0
e. Equipment suppliers (non-U.S.) loans for Quattamia Plant (\$15 million).	10.5
f. Local currency loans for Suez.	48.4
g. Local currency loans for Quattamia.	<u>46.0</u>
Total	<u>178.6</u>

* Note : The General Authority for Investment and Free Zones approved on December 4, 1979 the increase of SCC capital to L.E. 56 million.

Annex H
Suez Cement Plant

CEMENT PRODUCTION AND MARKETING PROGRAMS

(000)

	1981	1982	1983	1984	1985	1986	1987	1988
I. PRODUCTION PROGRAM:								
1. Production % of Capacity	60	80	100	100	100	100	100	100
2. Production of Cement (1000 tons)	600	800	1000	1000	1000	1000	1000	1000
3. Less: base stock in Silos	30	20	10	--	--	--	--	--
4. Soluble Cement (1000 tons)	570	780	990	1000	1000	1000	1000	1000
5. Variable Cost of Soluble Cement (item 4XL.E. 6.4 per ton Cement)	3648	4992	6336	6400	6400	6400	6400	6400
6. Variable Cost of Base Stock (item 3XL.E.6.4 per ton Cement)	192	128	64	--	--	--	--	--
II. MARKETING PROGRAM:								
1. Local Market:								
a. Sales of Cement (1000 tons)	470	660	750	790	790	790	790	790
b. Net Revenues (L.E. 1000) (At price L.E. 25 per ton Bulk)	12220	17160	20540	20540	20540	20540	20540	20540
2. Export Market:								
a. Exported Cement (1000ton)	100	120	200	210	210	210	210	210
b. Net Revenues (\$ 1000) (at price \$ 40 per ton Bulk)	4000	4800	8000	8400	8400	8400	8400	8400
c. Equivalent in L.E. 1000	2800	3360	5600	5680	5880	5880	5880	5880

Annex I
Suez Cement Plant

I N C O M E S T A T E M E N T

(L.E. 000)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
I. Revenues :	12220	17160	20540	20540	20540	20540	20540	20540	20540	20540
1. Local sales of Cement	2800	3350	5600	5880	5880	5830	5880	5880	5880	5880
2. Exports of Cement	300	400	500	500	500	500	500	500	500	500
3. Sales Mix Revenues-Net	855	1170	1485	1485	1485	1485	1485	1485	1485	1485
4. Other Revenues										
S. Total I	16175	22090	28125	28405	28405	28405	28405	28405	28405	28405
Less:										
II. Cash Cost of Sales :	3648	4992	6336	6400	6400	6400	6400	6400	6400	6400
1. Industrial Cost of production	650	780	1300	1365	1365	1365	1365	1365	1365	1365
2. Additional Cost of Exports	86	117	149	150	150	150	150	150	150	150
3. Marketing expenses	1100	1400	1500	1500	1500	1500	1500	1500	1500	1500
4. Labor & Administrative Expenses	513	702	891	900	900	900	900	900	900	900
5. Additional Bags- Foreign.										
S. Total II	5997	7991	10176	10315	10315	10315	10315	10315	10315	10315
III. Fixed charges	6207	6207	6207	6207	6207	6207	6207	6207	6207	6207
1. Depreciation	1047	1047	1047	1047	1047	1047	1047	1047	1047	1347
2. Amortization	6222	5461	4500	3417	2518	1610	820	-	-	-
3. Interest on Loan										
S. Total III	13476	12715	11854	10671	9772	8864	8074	7254	7254	7254
IV. Net Profit	(3298)	1384	6095	7419	8318	9226	10016	10836	10836	10844

Annex J
Suez Cement Plant
Estimated balance sheet

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
ASSETS :										
Land & Quarries	94259	94259	94259	94259	94259	94259	94259	94259	94259	94259
Construction & Civil Works										
Raw Material Investigation										
Machinery & Equipment										
Transportation Equip. & Furniture	871	871	871	871	871	1371	1871	1871	1871	1871
Working Capital	472	472	472	472	472	472	472	472	472	472
Deferred Charges	9415	3368	7321	6274	5227	4180	3133	2085	1039	-
Cash on Hand	465	478	758	475	576	491	428	9209	17547	25643
T O T A L	105482	104448	103681	102351	101405	100773	100163	107897	115188	122445
Capital & Liabilities :										
Capital Stock	16000	16000	16000	16000	16000	16000	16000	16000	16000	16000
Capital Reserves	26873	26873	26873	26873	26873	26873	26873	26873	26873	26873
Accumulated Reserves	-	136	749	1520	2442	3415	4532	5616	6658	7701
Accumulated Depreciation	5207	12414	13621	24828	31035	37242	43449	49656	55863	62070
Accrued Interest	2972	2677	2254	1683	2259	790	410	-	-	-
Account Payable	-	66	525	747	796	853	899	952	4754	4761
Accrued Dividends (net)	-	1180	4960	5900	6600	7400	8000	8800	5040	5040
Long Term Loans- Local	22600	18100	9700	3800	-	-	-	-	-	-
AID	30830	27000	24000	21000	16400	8200	-	-	-	-
T O T A L	105482	104448	103681	102351	101405	100773	100163	107897	115188	122445

ANNEX K

REVISED ECONOMIC RATE OF RETURN CALCULATION FOR
SUEZ CEMENT PLANT PROJECT
(\$ Millions)

Year	Investment Costs	Operating Costs	Benefits	Net Benefits
1978	17.5	-	-	(17.5)
1979	60.0	-	-	(60.0)
1980	53.6	-	-	(53.6)
1981	33.1	.3	-	(33.4)
1982	6.9	13.0	39.0	19.1
1983	-	16.7	52.0	35.3
1984	-	20.4	65.0	44.6
1985	-	20.4	65.0	44.6
1986	-	20.4	65.0	44.6
1987	-	20.4	65.0	44.6
1988	-	20.4	65.0	44.6
1989	-	20.4	65.0	44.6
1990	-	20.4	65.0	44.6
1991	-	20.4	65.0	44.6
1992	-	20.4	65.0	44.6
1993	-	20.4	65.0	44.6
1994	-	-	4.0	4.0

Based on the above costs and benefits, the economic internal rate of return is 16%.