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

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

JORDAN: TELECOMMUNICATIONS SYSTEM IMPROVEMENT

AID-DLC/P-406

UNCLASSIFIED

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

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AID-DLC/P-406
April 27, 1966

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Jordan: Telecommunications System Improvement

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed $5,300,000 to the Government of Jordan to assist in the financing of the foreign exchange costs of goods and services required to improve Jordan's telecommunications system including 12,200 line step-by-step dial control office line equipment, exchange cable networks, a 300 channel capacity carrier radio link, open-wire carrier equipment, telephone instruments and engineering and management services including training programs in management services and plant and equipment operations.

This loan proposal will be scheduled for consideration by the Development Loan Staff Committee at a meeting in the near future.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
Annexes A-G

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April 27, 1966

JORDAN

TELECOMMUNICATIONS IMPROVEMENT

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AID-DLC/P-406
April 27, 1966

JORDAN

SUMMARY AND RECOMMENDATIONS

TELECOMMUNICATIONS IMPROVEMENT

1. APPLICANT: The Government of the Hashemite Kingdom of Jordan

2. AMOUNT: $6.3 million

3. LOAN: Two steps as follows:

   A. GOJ - USG

      1. Maturity - 40 years including a 10 year grace period

      2. Interest - 1% during the grace period and 2½% thereafter

      3. Interest and principal in US Dollars

   B. M of C - GOJ

      1. Maturity - 20 years including a 5 year grace period

      2. Interest - 5½%

      3. Interest and principal in Jordan Dinars

4. PURPOSE OF LOAN: To finance the procurement of goods and services required to improve Jordan's telecommunications system

BACKGROUND: Jordan's existing system is inadequate to meet present demands as shown by the fact that presently there are over 6,000 applications for telephone service which cannot be met without increasing the capacity of the system.

PROJECT DESCRIPTION: The proposed project includes financing for 1) 17,000 line step-by-step dial control office line equipment, 2) exchange cable networks, 3) a 300 channel capacity carrier radio link between Amman and Jerusalem, 4) open wire carrier equipment, 5) telephone instruments, and 6) engineering and management services.

7. TOTAL COST OF ACTIVITY: $7.4 million

8. EX-IM BANK CLEARANCE: January 14, 1966

9. VIEWS OF THE COUNTRY TEAM: The country team strongly supports the project and strongly urges favorable consideration of this proposed loan.

10. STATUTORY CRITERIA: Met. See Annex D.

11. ISSUES: None

12. RECOMMENDATION: Authorization of a loan of not to exceed $6.3 million on the terms discussed in 3 above.

CAPITAL ASSISTANCE COMMITTEE:

Loan Officers:	B. Ryan	NESA/CDF
	A. Schwarzwalder	USAID/J
Engineer:	C. McNaron	NESA/ENGR
Lawyer:	R. Cummings	NESA/GC
Desk Officer:	J. Kean	NESA/NE

Drafters: Schwarzwalder/McNaron/Ryan/Pehl

I. BACKGROUND

A. The Project

Telecommunication facilities generally can be divided into three categories: inside plant, outside plant and subscriber plant. In general terms, the inside plant consists of central office exchanges equipped with manual or automatic switching equipment and related equipment such as timing devices. Outside plant is the facility and equipment which connects the subscriber to the inside plant and interconnects different inside plants which are geographically separated. Subscriber plant consists of telephones, teletypes, private switchboards and similar equipment. The proposed project involves financing of equipment in each general category as follows:

Inside Plant - 17,200 line step-by-step dial central office line equipment,

Outside Plant - a) Exchange cable networks, b) A 300 channel capacity carrier system between Amman and Jerusalem and c) open wire carrier equipment, and

Subscriber Plant - 16,500 telephone instruments to meet pent up demand and to allow the addition of new customer plant from the project inception through the first three years after the installation of the inside and outside plant facilities is completed.

In addition, the project includes the financing of a contract to provide management services for the Jordanian Telecommunications System for a period of three years.

B. The Borrower

The Borrower will be the Government of the Hashemite Kingdom of Jordan. The executing agency is the Ministry of Communications which is charged with providing all post, telephone and telegraph services for the country. The general operating policies and management direction are set and performed by the Minister who reports directly to the Prime Minister and is a political appointee while all other employees are subject to the government's civil service procedure.

The Ministry employs over 1400 persons to handle its responsibilities. The telecommunications organization is combined with the post office not only organizationally but also for purposes of management, accounting, personnel, maintenance and operation. In general, the administrating and operating

functions of the telecommunications system are subdivided under the post office managers in each town and village with general headquarters located in Amman. Most normal functions of the telecommunications operation (subscriber relations, billings, switchboard operations, general maintenance etc.) are handled by the individual post offices or postal agencies. Accounting procedures are essentially based upon direct expenses vs revenues for all operations combined and include little or no plant accounting, depreciation etc.

A recently completed survey by two U.S. Rural Electrification Agency (REA) technicians retained by AID concluded that the general technical competence of the Ministry was quite good and that, from a technical point of view, the Ministry should be able to operate and maintain the proposed facilities with certain additions to its staff. However, they pointed out the undesirable aspects of the combined organizational arrangement mentioned above as did the engineering firm who prepared the basic feasibility study dated February 1960. The recommended solution to this problem is discussed in detail in Section III.

C. Historical Development of the Project

In 1959 the International Cooperation Administration (ICA) financed a feasibility study of the possibilities of improving Jordan's telecommunications system. The study was completed by a U.S. firm, Microwave Services Inc., in February 1960. For a number of reasons principally financial, action was not taken on most of the recommendations until it became apparent to the GOJ that its telecommunications system was inadequate to handle present and projected demand. At that time, which was early 1965, the GOJ asked a European firm to submit a proposal for improvement of the system. The proposal, which was submitted in the spring of 1965, envisaged financing on a commercial basis. At the same time, AID was engaged in discussions with the GOJ on the general premises of our entering into a development loan program. The proposal was judged to be contrary to one of the important criteria established as prerequisites for an AID development lending program because of its commercial financing aspects (see subsection D below) and when more liberal terms could not be arranged the GOJ agreed to discontinue its consideration. A review of the Microwave study was then done by an AID consultant who updated it as required. The original study and the work recently completed by AID's consultant provide the supporting material for the loan application which was submitted to AID in August 1965.

D. Place of Project in Country Strategy

The major U.S. objective in Jordan is to preserve the country as a stable, broadly-based government and hence as a moderate voice in the

Arab world in order to prevent the resumption of Arab-Israeli hostilities. To attain this objective, U.S. assistance is directed toward achieving the following goals: 1) political stability, 2) increased revenue coupled with economies in governmental operations and 3) promotion of income generating activities.

It was felt that a sound development loan program could contribute to the attainment of the objectives listed above and consequently in June 1965 AID indicated its willingness to begin a program of development lending on concessional terms for Jordan designed to contribute to the achievement of the country's viability. This program was conditioned upon the GOJ adhering to a fairly rigorous series of conditions. These include: 1) limiting the growth of recurring government expenditures to no more than 5 percent annually, 2) investing only in carefully selected projects which are supported by adequate feasibility studies which demonstrate the projects increase government revenues or foreign exchange earnings or both, 3) generally avoiding high interest commercial loans to finance investment and 4) restricting the use of any funds borrowed from abroad to investment rather than financing recurring budgeting expenditures. By supporting development within this context we hope to hasten the time when Jordan will no longer require any grant budget support.

As a result of the basic U.S. assistance objectives listed above, we have sought in recent years to encourage Jordan to undertake development projects that will: (1) increase domestic budget revenue, (2) raise the level of the national income, and/or (3) contribute to reducing the balance of payments gap. The main goal of the development lending program which AID has recently begun is to undertake projects which meet these criteria.

The proposed loan would increase domestic revenue and raise the level of national income as demonstrated in Section II E and Annex A of the paper. In addition, the loan would indirectly contribute to a reduction of the balance of payments gap as an adequate communications system is necessary for the development of tourism, Jordan's greatest earner of foreign exchange. Thus, the project is considered to be within the framework of U.S. assistance strategy.

II. PROJECT ANALYSIS

A. Engineering and Management Aspects

1. Equipment Selection

During 1959 the American firm Microwave Services Incorporated, New York, under an IBA financed contract, made a complete survey of the

existing communication plant in Jordan. The firm evaluated the existing plant and recommended an expansion plan for the 5, 10 and 20 year periods starting with 1960. However, the GOJ made no financial or other plans to follow the recommendation contained in the report. Since that time the PTT has made only limited additions to the plant. For this reason the present gap between installed plant and customer need is greater than it was when the report was completed in early 1960. Thus, with certain up-dating which was done by the PTT and an AID consultant the technical and related data in this study remains valid. Major improvements since the 1959 study have been the provision of dial exchange equipment in Amman and Jerusalem. Dial equipment is also being installed in Irbid and Jericho but there is still a great need for additional switching equipment and circuits between central offices. Thus, the new inside and outside equipment to be provided by the proposed loan has been designed to take into account the above-mentioned improvements and meet current deficiencies with allowances for three to five year expansion.

The amount of the loan and the quantities of equipment to be included was the subject of considerable controversy within the Government. The Ministry of Communications had requested additional switching and radio links which could not be justified economically and the Prime Minister and AID were unwilling to go beyond the amount which would purchase enough equipment to satisfy the essentials and produce the same additional revenues as the more elaborate project.

A discussion of the various kinds of equipment to be financed under the loan and how it will be used follows:

a. <u>Central Office Line Equipment</u>:

17,200 lines of central office equipment which is both manual and automatic is to be installed in eight cities. 6600 lines will be involved in the replacement of existing manual offices (i.e. Nablus 4000 lines, Zarka 1800, Hebron 800). 7,000 lines will be installed in a new building in the City of Amman and will serve an area now connected to the main Amman office. This will relieve the present congestion in the main office and will provide for growth in the two central office areas. A total of 3,600 lines will be added to the existing dial offices at Jerusalem, Bethlehem, Jericho and Irbid. The present overload on the existing Central office equipment makes it necessary to shift 5200 of the main lines to the new equipment; 2,000 of the main lines which are now connected to the existing switchboard at Nablus, 800 lines in Zarka, 2,800 lines in Amman, and 400 lines at Hebron. Thus, 12,000 main lines will be open for new connections.

The present 6,000 outstanding applications for service will require 50% of the new main line capacity. Projected demand shows that all of the remaining 6,000 lines of capacity should be utilized within three years after the project is completed.

It is our opinion that the selection of equipment and its proposed placement is technically proper. The PTT staff has the demonstrated competence to operate and maintain the proposed Central Office Equipment. The proposed quantity of Central Office Equipment is minimal when compared with present and projected demand.

Switching equipment will be installed to permit subscriber trunk dialing between the following cities:

(a) Amman - Jerusalem

(b) Amman - Irbid

(c) Amman - Nablus

(d) Nablus - Jerusalem

This equipment would permit any subscriber in each of the above cities to dial any subscriber in any other city. Appropriate equipment will be provided to time and charge these calls. Installation of this proposed plant would accomplish the following major objectives:

(a) Correct a major deficiency in existing plant and allow for planned expansion of service over the next three to five years.

(b) Increase the revenue from existing customers and allow addition of new customers with resultant increase in revenue.

(c) Materially decrease the confusion and work-load in central offices and reduce the unit operating cost of completing toll calls.

b. Exchange Cable Network

There is a critical shortage of outside plant to connect subscriber plant to the inside plant in Amman, Zarka, Nablus and Hebron. Further, there must be considerable rehabilitation of the outside plant in these towns

in connection with the proposed conversion of the inside plant from manual to dial operation. The loan application is based on purchase of the telephone cable and installation hardware to connect a total of 16,500 telephones to the inside plants in the four towns.

The AID Consultant inspected the existing outside plant and participated in estimating the cost of this element of the work. The Phase I Engineer will be responsible for preparation of detailed specification for the items which are to be purchased.

c. 300 Channel Carrier System - Amman to Jerusalem

The application proposed that a two station microwave link be installed to connect Amman and Jerusalem. The initially-installed plant would be capable of handling the approximately 100 voice channels, at voice frequency, which are now required. The additional capability up to 300 voice channels at voice frequency could be activated when needed, at a relatively nominal unit cost, by the PTT operating and maintenance staff.

One radio building would be constructed on the promontory northwest of Amman adjacent to an existing VHF Radio Building. This location is known as Suweileh and is about 14 kilometers from Amman. The other radio building would be constructed on high ground in the vicinity of Jerusalem. The radio towers which would be built adjacent to the new buildings would be approximately 35 miles apart. Access roads exist and complete site data are available.

As part of this microwave system it would be necessary to transmit messages from the radio terminal buildings to the central offices in Amman and Jerusalem. The proposed radio terminal connections with central switchboards would be by coaxial cable, a portion of which would be underground.

The Jordanian/PTT staff has considerable experience in the operation and maintenance of other types of communication media, but they have to our best knowledge had no experience in line of sight microwave links. Therefore, it would be necessary to train operating and maintenance personnel for the proposed microwave link. The proposed system is so small that it could be operated and maintained with a small staff and only a few people would be trained in each of the required specialities, such as, radio frequency equipment, and multiplex equipment. The cost of training two or three individuals in each of these specialities and of providing operating and maintaining assistance after the system is installed would be very high in comparison with the total cost of the installed system.

The AID/W review of the Amman-Jerusalem link indicated that the initial cost of installation of a coaxial system might exceed the cost of installing the proposed microwave system but that the cost of training and operating and maintenance assistance which would be required for the microwave system might result in an accumulative cost through the first two or three years of operation which would materially exceed the cost of installing and operating a coaxial system. We concur in the position of Mr. Swaweesh the Chief Engineer of the PTT and Acting Deputy Minister of Communications that the Design Engineer should review the question of the type of carrier which should be installed. The final selection will be made on the basis of economics and consistency with planned expansion.

d. Open Wire Carrier

Open wire carrier equipment, transpositions and pole line rehabilitation is to be provided between 10 population centers. The existing trunk and rural carrier equipment is, generally speaking, in good condition. The proposed equipment is needed to relieve congestion on the existing open wire lines by permitting simultaneous transmission of up to 12 separate messages over two wires at the same time through use of frequency diversity.

e. Telephone Instruments

Originally the loan application did not include an amount for telephone instruments. However the GOJ subsequently stated that it wished the instruments included under the loan and provision was made for the financing of 16,500 instruments which represents the estimated needs for new installations through the third year after the inside and outside plant facilities are installed.

2. Technical Soundness

a. Cost

The GOJ asked seven firms to submit proposals to the Ministry of Communications covering the supply and installation of the inside and outside plant, and customer plant which each of the firms considered to be required for the Jordanian communication system. The firms who submitted proposals are as follows: 1. Phillips (Netherlands), 2. General Telephone and Electronics Corporation (GT&E), 3. International Telephone and Telegraph Corporation (ITT), 4. L.M. Ericsson & Page Engineering (Sweden/US), 5. Telettra (Italy), 6. General Electric of England, and 7. Associated Electronic Industries (England).

The proposals, which were submitted on 30 May 1965, were available to the PTT staff and the AID consultants who collaborated in the preparation of the loan application. We are not aware of the amount of field study which might have been applied to this problem by some of the submitting firms, but are aware that Phillips, GT&E and ITT have studied the Jordanian requirements and are familiar with the installed equipment and the need for additional equipment. Therefore, the technical findings, etc. of the engineers of these firms were available to the GOJ and were used by them in formulating the loan application. In November 1965 AID/W discussed the proposals and price information contained in the proposals with representatives of GT&E, ITT and Page Engineering and have been informed that these firms would supply the required equipment from the United States at prices comparable to those contained in their bids to the GOJ even though the proposals they submitted in May contemplated the supply from outside the United States. Thus, the cost figures used in the loan application are based on relatively current bids received in Jordan. The unit prices quoted were also spot checked with American suppliers who verified the prices used. As a result of this review we have concluded that the equipment prices used throughout the application are reasonable. The loan amount includes a contingency to cover escalation.

The original application requested grant financing of an Engineering Contract to perform field investigation and to propose appropriate contract documents for supply and installation of equipment. This was estimated to cost $200,000. AID advised the GOJ that grant financing was not available but that the costs of the contract might be included, under the loan. The GOJ elected to proceed on the understanding that the cost of these services would be an eligible cost if the loan is made. The GOJ has negotiated a contract with Microwave Services Inc. for this work. The detailed scope of work contained in the Microwave contract has been reviewed and found to be acceptable. The contract contains a provision under which Microwave can be requested to provide technical assistance to the GOJ on telecommunications questions which are not project connected. Although the need of the PTT for technical assistance related to the expansion and improvement of operation of the communication system in Jordan is recognized, it is our opinion that this need should be satisfied through a contractual device other than an AID loan financed open end contractual arrangement with the engineer. It is our intention therefore to limit AID financing of this contract to the work which is directly related to the project. GOJ and Microwave agreed to this in a letter of understanding dated March 11, 1966. The estimated cost of the design phase for engineering services is $90,000.

The data which was submitted in support of the loan application does not contain detail on how the estimated cost of $600,000 for supervision of construction was computed. For this reason we have independently arrived at an estimate of the composition and duration of assignment for the required supervisory staff. Our estimate is that 120 man months of field staff time will be required. We also estimate that aggregate required time of HQ

consultants to solve special project related problems which might arise will be three man months. The base cost for such personnel is estimated to be $328,000. In view of the different types of specialized knowledge which must be applied, we estimate that international travel and per diem will cost $15,300 and home office backstopping $51,500, total cost $394,800 which we round to $400,000.

In view of the uncertainties which exist on the amount of time each speciality knowledge will be required and uncertainties regarding combinations of talent which might be found in single individuals, we have added a contingency allowance of $100,000. On this basis the total estimated cost for this element of the work would be $500,000 as versus the estimate of $600,000 which is shown in the application.

In addition, as mentioned earlier, the loan includes $225,000 for training in operation and maintenance of the microwave system to be installed. This represents an increase of $153,000 over the figure contained in the loan application. However, given the fact that the GOJ has had virtually no experience using microwave systems the figure finally selected is considered to be much more realistic.

It is planned that 12,000 new lines will be added to the system during the first three years after project completion. The tabulation of additional income, as shown in the application, is based on an appropriate rate of new customer connections which would result from use of the additional lines. In order to accommodate demand, it will be necessary for the Ministry of Communications to provide 6000 new telephones to satisfy outstanding applications plus 3000 telephones per year for the expected new customers. Preliminary discussions with members of the trade indicate that the present sales price in the United States of the required instruments is approximately $13.50 to $15.00. Therefore, a unit price of $14.00 was used in calculating the cost of the instruments. It is intended that the loan finance the first three years' requirement of instruments which is estimated to be 11,000 main stations and 5,500 party line and extension instruments. Thus the total estimated FAS cost of the instruments is $235,000. An additional $15,000 is estimated for ocean transportation for a total cost of $250,000.

b. <u>Engineering Solution</u>

An AID consultant using AID/W backstopping assisted in the preparation of the loan application. For this reason the technical judgments of NESA/ENGR and consultant are contained in the application. Further, the document is presented in the form stipulated in the M.O. 1200 Series. This analysis does not repeat the tables and technical judgments which are contained in the application. The application covers only those items and

activities which were considered by NESA/ENGR, the AID consultant and the GOJ to be economically and technically justified. The foregoing comments and suggested changes in cost result from consideration and/or information which was not available to the consultant at the time he prepared the application. The consultant participated in our technical review of the application in Washington. He takes no exception to our findings, conclusion, and recommendation.

The technical review of the project was thorough and both NESA/ENGR and the consultant are satisfied that the technical solutions chosen are appropriate for the requirements. Therefore the proposed project is considered to be technically sound and the proposed loan amount represents a firm estimate of cost to the U.S. Government.

3. Management

The good condition of the existing telecommunication system and the fact that the net income from the present communications activities is a major source of budget revenue demonstrates that the Ministry staff has the competence to maintain and operate the existing system. The PTT Chief Engineer and his senior staff are capable men of long service. The younger men who serve as staff engineers and field engineers are experienced, graduate engineers. This supervisory group, who have charge of maintenance and operation are in our opinion fully capable.

New types of equipment are to be used under the project. There is need for management advisory assistance on the operation and maintenance of this equipment and a need for advisory assistance on organization and maintenance of records. Deficiencies in these sectors support the conclusion that a management contract is required. The main purposes of the management contract would be: 1) to provide advice regarding operations and maintenance of the Expanded System, 2) to provide managerial advice and training on all supervisory levels, 3) to make possible the transition from the present line type organization of the PTT to a commercial type line-staff organization separate from the postal department and 4) to provide advice regarding keeping of records, billing and related activities. It is our intention to include a condition precedent in the loan agreement requiring the GOJ to effect this transition within a reasonable period of time which, subject to further discussions with the GOJ, AID/W considers to be two years after signature of the management contract.

Management proficiency was studied by an REA Survey Team. The report prepared by the team recommended that the GOJ enter into a contract with a management firm which would supply the following types of experts: 1) a general management consultant for three years, 2) a telephone accountant for two years and 3) a commercial engineer for one year. The estimated cost

of the contract is $250,000. The AID/W staff has reviewed the recommendations of the REA team and the cost estimates for the contract. We are satisfied that both are appropriate and have included that amount in the proposed loan.

4. Training

The construction contractor will be responsible for providing training and training equipment for radio, switching and outside plant. Four supervisors and six technicians are to be trained for the installation at Amman and Jerusalem. Two supervisors and a total of 40 switchmen will be trained for the new offices at Amman, Zarka, Nablus and Hebron and four switchmen for Irbid and Jerusalem. The requirement that the contractor provide training along these lines will be included in the contract documents. The cost estimates have been revised to take these costs into account with a line item included showing the cost of classroom training and equipment while the additional personnel and other direct costs to the contractor are included in the overall estimate of the cost of the construction contract.

B. Economic Aspects

1. Existing Facilities

The 1959 Microwave study reached a number of conclusions about Jordan's telecommunications system. Since the conclusion of the study, some improvements have been made in the system by the PTT; however, the general conclusions of the Microwave study have been verified by the AID consultant who assisted in the preparation of the loan application. The telephone exchange facilities in the major cities and the rural areas were found to be obsolete, overloaded and in need of repair. The local and long distance telephone trunk facilities between exchanges were considered to be in fair condition and nearly adequate in 1959. However, the total number of telephones has increased from about 14,500 in 1959 to 32,500 and while the PTT has made some improvements it has not been able to keep up with the demands placed on the system by existing subscribers nor has it been able to meet the demand for new telephones discussed below. For example, some average delay periods for intercity calls are as follows:

Amman - Jerusalem	1 hour 45 minutes
Amman - Jericho	1 hour 20 minutes
Amman - Ramallah	1 hour 20 minutes

2. Demand for New Service.

Initial demand figures were developed in the 1959 Microwave feasibility study. At the time the study was made, there were about 14,500 telephones in Jordan. The study estimated that the total number of telephones in Jordan would reach 47,245 in 20 years or an average annual growth rate for the study period of about 6%. The figure used for the fifth year was 22,272 telephones. However, experience has proven that the estimates were extremely low as by 1964 the total number of telephones reached 3[illegible],500 which represents an annual growth in demand of almost 18%. Also of note is the fact that there are presently over 6,000 applications for new telephones being held in abeyance. Based on these facts, the REA consultants revised the Microwave projections upward and predicted that the total number of telephones would reach 91,000 by 1976. This is an annual growth rate of slightly less than 9% and, when compared to actual experience of the last five years, might appear to be on the conservative side. However, much of the new expansion of the system will involve the addition of new subscribers who will not be as firm fully well- if as the present subscribers and the cost of a telephone will be a more limiting factor. Therefore, it was felt that the projections presently by the REA consultants are sound and, they have been adopted as the basis for the calculations discussed below.

3. Benefits

To measure the direct economic benefits of the project, the initial capital costs and the annual recurring costs associated with installation of the new equipment were measured against the incremental revenues to be realized by undertaking the project. The rates used to determine the incremental revenues are the rates which are presently being used by the PTT. They are considered realistic and consequently have not been adjusted in any way. The annual recurring costs are considered to be: 1) the cost of purchasing the new telephone instruments, 2) costs of maintenance of the new facilities and 3) salaries and general expenses of personnel managing and operating the new facilities.

A detailed benefit/cost analysis is contained in Annex A. The analysis results in a ratio of better than 3:1 when the cost and benefit streams are discounted back to the present worth at a discount rate of 6%.

It is realized that some risks are inherent in attempting to base a project on the analysis contained in Annex A. It could be reasonable to expect that the figures contained in the analysis will prove to be completely accurate; however, it is felt that they allow a reasonably sound analysis of the proposed project.

Normally, an appropriate additional step to the analysis would be to apply several other discount rates to the two streams until the rate was found at which they were equal. That rate would then be compared to the opportunity cost of capital in Jordan. This has not been done due to the lack of information on the subject. However, the "break even" discount rate would be in the order of magnitude of 18-20% which, according to all information presently available, is clearly greater than the opportunity cost of capital. To put the matter in other words, if this were a commercial undertaking it could be expected to yield a return of 18-20%.

4. Indirect Benefits

There are a number of very important economic benefits which can be expected to be realized. However, no attempt has been made to quantify them because of their more indirect nature. Among the most important are: 1) improvement in the conduct of tourism activities [illegible] in making reservations and 2) improvements in the transaction of government and international commercial business, 3) expediting international trade with attendant improvements in the ability to market domestic exports, especially perishable fruits and vegetables which must be responsive to up-to-the minute market information.

C. Financial Aspects

1. Total Project Cost. The total cost of the project is shown below:

($US 000)

	Local Cost	Foreign Exchange	Total
Land and Right of Way	112.0	-	112.0
Engineering Services	-	590.0	590.0
Construction Contract	862.0	4,488.0	5,350.0
Telephone Instruments	20.0	250.0	270.0
Management Contract & Classroom Training & Equipment	56.0	475.0	531.0
Contingencies	84.0	416.0	500.0
	1,134.0	6,221.0	7,353.0

The total project costs have been increased to include final engineering services, management services and telephone instruments. With rounding, the total costs are now estimated to be $7.4 million. The proposed loan would finance all the foreign exchange costs of the project. The GOJ will undertake to finance all the local costs which are estimated to be $1.1 million or about 14% of the total project. All are agreed, however, to extend a 104(g) loan of up to $400,000 equivalent in Jordanian Dinars to finance a portion of the local costs to the extent funds are generated for 104(g) under the FY [illegible] PL 480 Title I sales agreement signed April 5, 1966.

2. Ministry of Communications Financial Status

As mentioned earlier the Jordan PTT has not maintained separate accounts for its various operations and a meaningful balance sheet was not available. However, using the information which was available, the REA consultants were able to develop a projected profit and loss statement for the telecommunications system which as adjusted by the project committee is included as Annex B. Although the PTT is presently an integral part of

the Ministry of Communications, the financial analysis has been developed on the basis of a two-step loan since AID intends to include as a condition precedent to disbursement the requirement that a financially autonomous entity be established. The terms proposed for the first step repayment by the PTT to the GOJ are 20 years including a five year grace period at 5½%. Annex B shows that the PTT would be able to support these terms.

3. Government's Financial Status

a. Recent Trends in the Economy

The overall increase in the level of economic activity in Jordan during the past decade has been encouraging. Gross National Product (GNP) has increased at an annual rate of more than 9 percent. The greatest contributing factor to Jordan's economic development has been tourism. Since 1958 the number of foreign tourists arriving in the country has increased by about 840 percent and foreign exchange revenue from tourism has risen by 500 percent. Industrial output and employment while still small are growing steadily. Irrigated agriculture has been expanded and modern facilities and services available to farmers have increased in all areas of the country. Visible exports have grown by 200 percent since 1962, with fresh fruits and vegetables as major greater gains. However, population is growing at nearly 3 percent annually. The combined impact of all these trends has greatly expanded the requirement for infrastructure in the economy. The national plan calls for a continuing rate of growth in the remainder of the sixties comparable to the trends in the first half of this decade. A continuing program of investment in selected infrastructure facilities is therefore contemplated to accommodate this growth. With a substantial backlog of demand, the need for expanded telecommunications facilities is especially acute.

b. Current Position and Prospects

Notwithstanding these favorable growth trends, Jordan still requires external grants of budget support. These have declined by 25 percent in the past 4 years but still constitute 30 percent of total budget resources. A continuing decline in such extraordinary assistance is projected under the development plan of the Government of Jordan (GOJ) as well as by the U.S. and U.K. who provide this support. To achieve this and maintain a stable and independent government will require every effort by Jordan to expand revenues even while continuing to provide only for modest (5 percent) growth in government services. Past trends show a growth in

domestic budget revenue of more than 10 percent annually. New taxes have been imposed in recent years and the revenue collection system has been modernized and improved. Additional sources of revenue are being sought and efforts made to further expand receipts from existing taxes to close the gap.

Government's Ability to Repay

A recent study of the GOJ's debt service requirements has been completed by the Mission. It lists requirements for the next six years as follows:

	($U.S.000)
1966	6,170
67	6,420
68	7,060
69	7,955
70	10,020
71	10,025

The study shows that debt service requirements on all present commitments will be greatest in 1971 and that they will decline sharply thereafter. By 1976, the first year of principle repayment under the proposed loan, debt service will be about $[illegible] million. Jordan's foreign exchange holdings have been increasing in recent years and although they remained stable throughout the latter part of 1965, Jordan seems likely to be able to maintain a sound financial position if area conditions are stable and development within Jordan continues to make the gains characteristic of recent years. Continued progress in tourism earnings is especially essential and is anticipated. Efforts to close the trade gap are also needed and are projected in Jordan's development plan. Thus, given 1) the prospects for continued economic growth, 2) the fairly sound foreign exchange position of the GOJ and 3) the concessional nature of the proposed loan terms, prospects of repayment are considered reasonable.

4. Impact on U.S. Economy and Balance of Payments.

The proposed dollar loan would have a favorable impact upon the U.S. economy as all of its proceeds ($6,000,000) would be used to finance goods and services of U.S. source and origin. The local costs of the project will be covered by the GOJ with the exception of up to $600,000 of

proceeds from the FY 1966 PL 480 Title I Sales Agreement which would be loaned under 104(g).

The U.S. has been engaged for the past nine years in providing assistance to maintain the integrity of Jordan as an independent country whose political and economic base was extremely weak at the outset of our program. During these years, substantial progress has been made in strengthening political unity and in improving the chances for economic viability. Until recently all of our assistance has been on a grant basis. In large part, this assistance has taken the form of cash grant budget support. Initially, USAID U.K. assistance constituted more than half of all budget resources available for expenditure. At present, this has been reduced to approximately 20%. At the same time, the growth of the Jordanian economy has given hope that vigorous promotion of a development program could eventually put Jordan in a viable position. It now seems possible that both the budget deficit and the balance-of-payments gap can be eventually closed. The accomplishment of this objective, however, requires U.S. support, not only through the traditional means of support for the recurring costs of the budget but by providing good resources and a greater concentration on investment. To this end, we are providing development loans for priority projects, the provision of this assistance being subject to a rigorous set of self-help criteria. Among the projects which are under review, some involve a high proportion of local costs financing. However, we are seeking to maximize the proportion of our loan program which will be spent for the procurement of U.S. goods and services. The present proposed dollar loan is entirely for U.S. goods and services.

5. Effect on Private Enterprise.

As mentioned above, a large percent of the loan proceeds will be used to procure goods and services in the U.S. In addition to equipment supply contracts, U.S. firms will receive the following contracts: a) final design and supervision of construction, b) management advisory services and c) general construction contract.

C. Special Conditions and Covenants.

Borrower shall, within two years from the date of this Agreement, complete the establishment of a separate telephone and telegraph entity, free to operate as an independent government organization.

SECTION III IMPLEMENTATION

A Implementation Plan

The GOJ selected a firm to complete the final design work required for the project and negotiated a contract. AID reviewed the contract and required some changes which have been accepted by the firm and the GOI. Therefore, AID has indicated its willingness to include the contract as an eligible item under the loan. This will speed up the implementation process somewhat.

The following timetable is based on the assumption that loan agreement negotiations will be concluded rapidly.

	1966
Signature of Loan Agreement	May
Completion of Final Designs and Approval by A.I.D.	September
Call for Bids	October
	1967
Submission of Recommended Award for Construction Contract to AID	January
AID approval of Recommended Award	February
First Disbursement for Construction	May
	1969
Final Disbursement	May

ANNUAL INCREMENTAL REVENUE
($US 000)

Year	Non-Recurring Service Charges		Recurring Telephone Service Charges		Toll Calls by New Subscribers 1/	Extra Local Calls by New Subscribers 2/	Extra Toll Calls by Existing Subscribers 3/	Increase In Telegraph Revenues 4/	Total
	$29.60 per Subscriber	$16.80 per Extension	$53 per Subscriber	$14 per Extension					
1	269	5	160	4	92	55	46	14	645
2	"	8	318	11	190	114	"	15	971
3	"	16	477	29	302	182	"	15	1,337
4	"	8	636	36	400	240	"	16	1,652
5	"	"	796	43	498	299	"	17	1,976
6	"	16	1,113	57	694	417	"	18	2,899
7	538	34	1,378	85	890	534	"	19	3,474
8	448	"	1,643	113	1,086	652	"	20	4,041
9	"	"	1,908	141	1,282	770	"	21	4,649
10	"	"	2,173	169	1,478	887	"	22	5,257
11	"	35	2,438	197	1,674	1,005	"	23	5,866
12	"	37	2,703	225	1,870	1,122	"	24	6,476
13	"	39	2,968	253	2,066	1,240	"	25	7,086
14	"	41	3,233	281	2,262	1,357	"	26	7,695
15	"	43	3,498	309	2,458	1,475	"	28	8,305
16	"	45	3,763	337	2,654	1,593	"	29	8,916
17	"	48	4,028	365	2,850	1,710	"	31	9,526
18	"	51	4,293	393	3,046	1,828	"	32	10,137
19	"	53	4,558	421	3,242	1,945	"	34	10,748
20	"	56	4,823	449	3,438	2,063	"	35	11,359

1/ Based on 100 toll calls per phone per year at an average cost of 100 fils (28¢) or $28 per phone.
2/ Extra local calls in excess of 200 free calls allowed are estimated at 1200 per phone at a cost of 5 fils or an average of 6 JD's ($16.80).
3/ Estimated average cost is 500 fils ($1.40) per phone times 32,500 existing subscribers.
4/ Increase in telegraph revenues based on 5% per year increase of present revenue which are $280,000.

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Annex A
Exhibit 1

($US 000)

Year	Capital Cost	Instruments	Maintenance & Other Costs	Total	Present Worth @6%
0	1,200			1,200	1,200
1	3,000		72	3,072	2,898
2	3,100		144	3,244	2,887
3		65	216	281	236
4		65	288	353	279
5		130	360	490	368
6		▪	432	562	396
7		▪	504	634	422
8		▪	576	706	443
9		▪	648	778	459
10		▪	720	850	474
11		▪	792	922	486
12		▪	864	994	494
13		▪	936	1,066	500
14		▪	1,008	1,138	503
15		▪	1,080	1,210	504
16		▪	1,152	1,282	505
17		▪	1,224	1,354	501
18		▪	1,296	1,426	499
19		▪	1,368	1,498	494
20		▪	1,440	1,570	488
					15,076

Benefit:Cost = 3.45:1

Year		Present Worth @6%
0		
1	645	608
2	971	864
3	1,337	1,123
4	1,652	1,305
5	1,976	1,482
6	2,899	2,044
7	3,474	2,310
8	4,041	2,534
9	4,649	2,752
10	5,257	2,933
11	5,866	3,091
12	6,476	3,218
13	7,086	3,323
14	7,695	3,401
15	8,305	3,463
16	8,916	3,513
17	9,526	3,525
18	10,137	3,548
19	10,748	3,547
20	11,359	3,533
		52,118

PROJECTED FINANCIAL ANALYSIS

	1967	1968	1969	1970
Local Service Revenue	$1,659,000	$1,876,000	$2,100,000	$2,317,000
Toll Revenue	599,760	699,120	809,170	909,300
Telegraph	280,000	294,000	308,700	324,135
Miscellaneous	21,000	24,000	27,000	30,000
Connection Charges	312,620			
Total Revenue	$2,872,380	$3,170,320	$3,523,470	$3,857,635
Maintenance	$ 293,608	$ 335,520	$ 362,460	$ 402,600
Traffic	93,120	106,320	104,610	116,100
G & A (General, Commercial & Other)	351,880	379,200	396,600	440,700
Taxes (Income Charged)				
Depreciation (5%)	425,000	455,000	605,000	705,000
Total Operating Expenses	$1,143,608	$1,276,040	$1,468,670	$1,664,400
Operating Income	$1,728,772	$1,894,280	$2,054,800	$2,193,235
Interest	65,000	57,000	44,000	447,000
Net Income	1,663,772	1,837,280	1,607,800	1,746,235
Add Depreciation	425,000	455,000	605,000	705,000
Interest	66,000	57,000	447,000	447,000
Available for Debt and Reinvestment	$2,153,772	$2,349,280	$2,657,800	$2,898,235
Debt Service	66,000	57,000	447,000	447,000
Available for Reinvestment	$2,087,772	[illegible]	[illegible]	[illegible]
Plant Value	8,000,000	[illegible]	[illegible]	[illegible]
Total Subscribers	24,000	[illegible]	[illegible]	[illegible]
(Main Stations)	(21,000)	(18,000)	(15,000)	(12,000)
(Extensions)	(13,000)	(14,000)	(15,000)	(15,000)
Increase Over Previous Year	3,300	3,300	4,000	3,300
(Main Stations)	(3000)	(3000)	(3000)	(3000)
(Extensions)	(300)	(500)	(1000)	(500)

	1971	1972	1973	1974
Local Service Revenue	$2,534,000	$2,963,000	$3,346,000	$3,724,000
Toll Revenue	1,020,030	1,[illegible],670	1,415,040	1,607,200
Telegraph	340,343	[illegible]7,359	[illegible]	[illegible],988
Miscellaneous	33,000	39,000	[illegible]	49,000
Connection Charges	277,000	[illegible]	431,000	481,000
Total Revenue	$4,204,[illegible]	$[illegible]	$[illegible]	$[illegible]
Maintenance	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Traffic	127,710	[illegible]	[illegible]	[illegible]
C G & O	444,770	[illegible]	[illegible]	[illegible]
Taxes (none charged)				
Depreciation (5%)	740,000	775,000	[illegible]	[illegible]
Total Operating expenses	$1,[illegible]	$[illegible]	$[illegible]	$[illegible]
Operating Income	$2,[illegible]	$[illegible]	$[illegible]	$[illegible]
Interest	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Net Income	[illegible]	[illegible]	[illegible]	[illegible]
Add Depreciation	[illegible]	[illegible]	[illegible]	[illegible]
Interest	[illegible]		[illegible]	[illegible]
Available for Debt	[illegible]	[illegible]	[illegible]	[illegible]
Net Investment	[illegible]	[illegible]	[illegible]	[illegible]
Debt Service	511,[illegible]	[illegible]	[illegible]	[illegible]
Available for Reinvestment	[illegible]	[illegible]	[illegible]	[illegible]
Plant Value	14,600,[illegible]	[illegible]	[illegible]	[illegible]
Telephones	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Increase Over Previous Year	[illegible]	[illegible]	[illegible]	[illegible]
Deductions)	(2,[illegible]	[illegible]	[illegible]	[illegible]
Deductions)	(500)	(1,[illegible]	[illegible]	[illegible]

	1975	1976	1977
Local Service Revenue	$4,102,000	$4,480,000	$4,858,000
Toll Revenue	1,806,840	2,014,260	2,227,840
Telegraph	413,687	434,371	456,090
Miscellaneous	54,000	59,000	64,000
Connection Charges	481,600	481,600	481,600
Total Revenue	$6,858,127	$7,469,231	$8,087,530
Maintenance	$ 691,740	755,779	819,840
Traffic	208,980	228,330	247,680
C G & O	727,380	794,730	862,080
Taxes (none charged)			
Depreciation (5%)	1,075,000	1,175,000	1,275,000
Total Operating Expenses	$2,703,100	$2,953,839	$3,204,600
Operating Income	$4,155,027	$4,533,392	$4,882,930
Interest	$ 323,465	296,816	270,147
Net Income	3,831,562	4,236,576	4,612,783
Add Depreciation	1,075,000	1,175,000	1,275,000
Interest	323,465	296,816	270,147
Available for Debt and Reinvestment	5,230,027	5,708,392	6,157,930
Debt Service	808,171	781,522	759,8[illegible]
Available for Reinvestment	4,421,856	4,926,870	5,403,377
Plant Value	$21,500,000	$23,500,000*	$25,500,000*
Total Subscribers	77,000	84,000	91,000
(Main Stations)	(54,000)	(59,000)	(64,000)
(Extensions)	(23,000)	[illegible]	(27,000)
Increase Over Previous Year	7,000	7,000	7,000
(Main Stations)	(5,000)	(5,000)	(5,000)
(Extensions)	(2,000)	(2,000)	(2,000)

*Yearly increase of plant required to meet future demands—financing source unknown. This would change projection after 1973 in accordance with financing terms provided.

Source: [illegible]

ESTIMATED CONSTRUCTION COST OF TELECOMMUNICATION PROJECT

Construction Costs	JD	US $
2 radio buildings, tower and guy footings	10,000	22,000
Microwave radio system (300 channel capacity) Amman-Jerusalem 100 channels initially	15,000	333,000
Entrance facilities (radio to C.O. buildings) Amman and Jerusalem	8,000	28,000
Toll terminal equipment Amman and Jerusalem	---	125,000
Central Office buildings (Amman, Zarka, and Hebron	40,000	48,000
Dial switch equipment for 17,200 lines (Amman 7,000, Zarka 1,800, Irbid 1,000 Nablus 4,000; Jerusalem 1,800; Hebron 200; Bethlehem 400; Jericho 400)	60,000	1,982,000
Subscriber trunk dialing: Amman-Jerusalem; Amman-Irbid; Amman-Nablus; Nablus-Jerusalem	15,000	348,000
Exchange cable networks and outside plant hardware (Amman, Zarka, Nablus, Hebron)	135,000	1,122,000
Open wire carrier equipment, transpositions and open wire line rehabilitation	25,000	30,000
Training and training equipment (for radio, switching and outside plant)	10,000	222,000
Operation and maintenance (radio and carrier for six months after system is put in service)	10,000	72,000
Miscellaneous circuits and equipment	---	250,000
TOTAL	JD 328,000 ($918,000)	4,782,000

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April 27, 1966
Annex D

Jordan - Telecommunications Improvement

STATUTORY CHECKLIST

1. FA Sec. 102. Precautions that have been or are being taken to assure loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development. -- Loan proceeds will be used directly on the project discussed in the Capital Assistance Paper.

2. FA Sec. 102. Assure that excess property shall be used where practicable in lieu of procurement of new items. The U.S. excess property program is in operation in Jordan, and full advantage of the program is being taken by the GOJ.

3. FA Sec. [illegible]. Assure that the country has taken adequate assurances to prevent damage to U.S. property by mob action. Police, gendarmerie and security forces in Jordan have the capability of preventing such mob action.

4. FA Sec. [illegible] (a). Manner in which loan will promote country's economic development, emphasizing help for long-range plans and programs designed to develop economic resources and increase productive capacities. -- Covered in Section "II B."Economic Aspects".

5. FA Sec. [illegible](a)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. -- The Export-Import Bank is not prepared to consider the loan application. No private sources in the U.S. would be willing to provide funds required on these terms and conditions.

6. FA Sec. [illegible](a)(2). Information and conclusion on activity's economic and technical soundness, including the capacity of the recipient country to repay the loan at a reasonable rate of interest. -- Covered in Sections II.B and C. Jordan's financial situation is discussed in the CAP.

The following abbreviations are used:

FA Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1964.

App. Foreign Assistance and Related Agencies Appropriations Act, 1966.

7. FA Sec. 201(b)(3). Information and conclusion on existence of reasonable promise activity will contribute to development of economic resources or increase of productive capacities. -- Covered in Section II.B "Economic Aspects".

8. FA Sec. 201(b)(4). Information and conclusion on activity's relationship to other development activities, and its contribution to realistic long-range objectives. -- Covered in Section II.B "Economic Aspects".

9. FA Sec. 201(b)(5). Country's self-help measures, including institution of Foreign Assistance Act investment guaranty program. -- Discussed in Program Loan Paper. Jordan has an agreement with the U.S. on Investment Guaranties.

10. FA Sec. 201(b)(6). Information and conclusion on possible effects on U.S. economy, with special reference to areas of substantial labor surplus. -- The project will have a favorable effect on the U.S. economy. The loan proceeds will be used to finance goods and services of U.S. origin. No information is available as to whether any specific labor surplus will be benefitted.

11. FA Sec. 201(b). Information and conclusion on reasonable prospects of repayment. --Covered in Section II.C "Financial Aspects".

12. FA Sec. 201(d). Information and conclusion on legality (under laws of the country and the U.S.) and reasonableness of lending and relending terms. -- This loan would be made in compliance with U.S. and Jordanian laws.

13. FA Sec. 201(e). Information and conclusion on availability of an application together with sufficient information and assurance to indicate reasonably that funds will be used in an economically and technically sound manner. -- Adequate application and other sufficient information have been received, as described in Sections I and II.

14. FA Sec. 201(f). If a project, information and conclusion whether it will promote the economic development of the requesting country, taking into account the country's human and material resource requirements and the relationship between the ultimate objectives of the project and the country's overall economic development. -- Covered in Section II.B "Economic Aspects".

15. FA Sec. 201(f). If a project, information and conclusion whether it specifically provides for appropriate participation by private enterprise -- The Borrower is the Government of Jordan. U.S. private sources will supply equipment, material and services.

16. FA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, etc. -- See Section II.C.

17. FA Sec. 601. Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions. -- (a) The loan would encourage the flow of international trade by providing for the export of goods and services to Jordan from the U.S., (b) private enterprise will be affected as described in Section II.C., (c) the loan would have no direct effect on the development and use of cooperatives, credit unions, and savings and loan associations, (d) the loan would have no demonstrable effect on monopolistic practices, (e) technical efficiency of before examination contracting services and loan agreement would be improved through the availability of modern equipment, technical advice and training, and (f) the loan would have no effect on the strengthening of free labor unions.

18. FA Sec. 601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U.S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest. -- Engineering and other professional services will be obtained from private sources in the U.S.

19. FA Secs. 601, 602. Information and conclusions whether loan will (a) encourage U.S. private trade and investment abroad; (b) encourage private U.S. participation in foreign assistance programs (including use of private trade channels) and the services of U.S. private enterprise; and (c) permit American small business to participate equitably in the furnishing of goods and services financed by it. -- (a) and (b) This loan will have a favorable effect on U.S. private trade and investment abroad. Private U.S. participation in foreign assistance programs will be provided through the use of U.S. goods and services. (c) normal Small Business participation requirements will be provided for. U.S. private sources will provide goods and services under this loan.

20. FA Sec. 604(a). Compliance with restriction of commodity procurement to U.S. except as otherwise authorized by the President and subject to statutory reporting requirements. -- All goods and services financed under the loan will be procured in the U.S.

21. FA Sec. 604(b). Compliance with bulk commodity procurement restriction to prices no higher than the market price prevailing in the U.S. at time of purchase. -- The Loan Agreement will contain a provision covering this point on U.S. procurement.

22. FA Sec. 604(d). Compliance with requirement that marine insurance be purchased on commodities if the participating country discriminates, and that such insurance be placed in the U.S. -- This will be required by the Loan Agreement.

23. FA Sec. 611(a)(1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States. -- Covered in Section II B and C. Implementation of the Project, and in Loan Agreement.

24. FA Sec. 611 (A)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan. Some legislation involving changes in administration within the ministry of communications of Jordan will be required. No difficulties are foreseen.

25. FA Sec. 611(b); Appropriation Act. If water or water related land resources construction project or program, information and conclusion on benefit-cost computation. -- Not applicable.

26. FA Sec. 611 (e). Compliance with requirement that contracts for construction be made on competitive basis to maximum extent practicable This provision shall be complied with.

27. FA Sec. 611. Compliance with requirement that assistance to newly independent countries be furnished through multilateral organizations or plans to maximum extent appropriate. -- Jordan is not a "newly independent country."

28. FA Sec. 620(f); App. Sec. 107. Compliance with prohibitions against assistance to Cuba or failure to take appropriate steps by February 14, 1964 to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes or permits any ships under its registry from carrying items on the Battle Act list, or other items of primary strategic significance, or items of economic assistance. -- Jordan is not in violation of this Section.

29. FA Sec. 620(i). If assistance to the government of a country, existence or determination it is not controlled by the International Communist movement. -- Jordan is not controlled by the International Communist movement.

30. FA Sec.620(c). If assistance to the government of a country, existence of indebtedness to a U.S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or contested by such government or the indebtedness arises under an unconditional guaranty of payment given by such government. -- Jordan is not ineligible under this section.

31. FA Sec. 620(d). If assistance for any productive enterprise which will compete with U.S. enterprise, existence of 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. -- No competition with U.S. enterprise is contemplated.

32. FA Sec. 620(e). If assistance to the government of a country, extent to which it (including government agencies or subdivisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or taken any action which has the effect of nationalizing, appropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking appropriate steps to discharge its obligations. -- Jordan is not ineligible under this section.

33. FA Sec. 620(f). Compliance with prohibitions against assistance to any Communist country. -- Jordan is not a Communist country.

34. FA Sec. 620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property. -- Not applicable.

35. FA Sec. 620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interests of the U.S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries. -- The Loan Agreement will contain a provision on this point.

36. FA Sec. 620(i). Existence of a determination that the country is engaging in or preparing for aggressive military efforts. -- No such determination under this section has been made.

37. FA Sec. 620(j). If a contract or productive enterprise where aggregate value of assistance to be furnished by U.S. will exceed $100 million, identification of statutory authority. -- Not applicable.

38. FA Sec. 620(l). Compliance with prohibition against assistance after 31 December 1965 for the government of a country which fails to institute investment guaranty program. Jordan has agreed to an Investment Guaranty Program.

39. FA Sec. 636(h). Appropriate steps that have been taken to assure that, to maximum extent possible, 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. See Section II C. Local costs will be financed by GOJ.

40. FA Sec. 620(n). Take into account whether the country has taken appropriate steps to prevent ships or aircraft under its registry from transporting prohibited property to North Vietnam. -- Jordan does not engage in trade with North Vietnam, and ships or aircraft under its registry do not call at sea or air ports of North Vietnam.

41. FA Sec. 620(o). Take into account whether the country has seized or penalized U.S. fishing vessels on account of fishing activities in international waters. -- No such actions have been taken by Jordan.

42. App. (Sec. [illegible]). Use of funds to carry out FA Sec. 105, which pertains to IDA. -- Not applicable.

43. App. Sec. [illegible]. Compliance with requirement that payments in excess of $[illegible] for architectural and engineering services on any one project be reported to Congress. -- Any such payments will be reported.

44. App. Sec. 104. Compliance with bar against funds to pay pensions, etc., for military personnel. -- Funds will not be used for such purposes.

45. App. Sec. [illegible]. Compliance with requirement for security clearance of personnel under contracts for services. -- All such personnel will be cleared in compliance with law.

46. App. Sec. [illegible]. Compliance with requirements for approval of contractors and contract terms for capital projects. -- Specifications, recommended supplier, and contract terms will be approved by AID.

47. App. Sec. [illegible]. Compliance with bar against use of funds to pay assessments, etc., of U.N. member. -- Funds will not be used for such purposes.

48. App. Sec. 117. Compliance with regulations on employment of U.S. and local personnel for funds obligated after 30 April [illegible]. -- Appropriate provision for compliance with such regulations will be included in the implementing documentation.

49. App. Sec. 401. Compliance with bar against use of funds for publicity or propaganda purposes within U.S. not heretofore authorized by Congress. -- Funds will not be used for such purposes.

Annex G

DRAFT CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from Development Loan Funds

(Jordan: Telecommunications System Improvement)

Pursuant to the authority vested in the Assistant Administrator Agency for International Development (hereinafter called "AID") by the Foreign Assistance Act of 1961, as amended, and the delegation of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter II, Title II, the Development Loan Fund, to the Government of Jordan (the "Borrower") of not to exceed Six Million Three Hundred Thousand Dollars ($6,300,000) to assist in the financing of the foreign exchange cost to finance the procurement of goods and services required to improve Jordan's telecommunications system including 17,200 line step-by-step dial control office line equipment, exchange cable networks, a 300 channel capacity carrier radio link, open-wire carrier equipment, telephone instruments and engineering and management services including training programs in management services and plant and equipment operations.

1. Interest and Terms of Repayment. The interest on the loan shall be one per cent (1%) per annum on the disbursed balance of the loan during the grace period and thereafter two and one-half per cent (2 1/2%) per annum. The loan shall be repaid within forty (40) years from the date of the first disbursement under the loan, including a grace period of not to exceed ten (10) years.

2. Currency of Repayment. Provision shall be made for repayment of the loan and payment of the interest in United States dollars.

3. Other Terms and Conditions:

   (a) All equipment, materials and services financed under the loan shall be procured from the United States.

   (b) This loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Assistant Administrator, AA/NESA

Date