

UNCLASSIFIED

UNITED STATES
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

EGYPT: FY 1984 COMMODITY IMPORT PROGRAM

AID GRANT NO. 263-K-607

UNCLASSIFIED

CLASSIFICATION: 1

PDAP 562

AGENCY FOR INTERNATIONAL DEVELOPMENT

**PROGRAM ASSISTANCE
APPROVAL DOCUMENT
(PAAD)**

1. PAAD Number AID Grant NO. 263-K-607	
2. Country Egypt	
3. Category Commodity, Standard Financing Procedure	
4. Date July 1984	
5. To Mr. M. Peter McPherson, A/AID	
6. OYB Change Number Not Applicable	
7. From Mr. B. Langmaid (A) AA/NE <i>BL</i>	
8. OYB Increase To be taken from:	
9. Approval Requested for Commitment of \$ 300,000,000	
10. Appropriation Budget Plan Code NESA-84-33263-KG32 (437-62-263-00-59-41)	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None
13. Estimated Delivery Period 8/84 - 8/86	14. Transaction Eligibility Date PAAD Authorization Date
15. Commodities Financed Items appearing in the A.I.D. Commodity Eligibility Listing that will be eligible for financing under this loan. Priority items are expected to include food commodities.	
16. Permitted Source U.S. only \$300,000,000 Limited F.W. Free World Cash	17. Estimated Source u.s. \$300,000,000 Industrialized Countries Local Other

18. Summary Description

Egypt's balance of payments position remains characterized by fundamental structural weaknesses. Export earnings are heavily concentrated in petroleum, workers' remittances, the Suez Canal and tourism. While earnings from these sectors, especially petroleum and workers' remittances, grew very rapidly through 1980, they leveled off in 1981/82 and their future growth potential is not buoyant. Supplements to export earnings must be developed in the commodity producing industrial and agricultural sectors in order to meet the import requirements for sustaining favorable trends in production, consumption and investment; however, it is necessary to change a range of domestic economic policies in order to accomplish this. Such changes are difficult to bring about. Reflecting these factors, Egypt's current account deficit increased by 800 million dollars from 1980/81 to 1981/82. Although there was some improvement in 1982/83 and 1983/84, we believe that a continuation of balance of payments assistance through the CIP should remain an important component of overall U.S. assistance to Egypt.

19. Clearances	Date	20. Action
REG/DP CJohnson <i>[Signature]</i>	7/27/84	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
REG/GC GDavidson <i>[Signature]</i>	<i>[Signature]</i>	
AA/PFC RDerham <i>[Signature]</i>		Authorized Signature: <i>[Signature]</i> Date: 7-27-84 Title:
M/FM CWChristensen <i>[Signature]</i>	7/27/84	
SER/COM WCSchmeisser <i>[Signature]</i>	7/27/84	
AA/PRE		

By easing the balance of payments constraint on economic activity, the CIP is a significant element in keeping the Egyptian economy functioning and contributing to development. In addition, we again are attempting to link part of the CIP closely to the equipment component of the investments included in the GOE's Development Budget.

The proposed FY 1984 CIP will assist Egypt with its development efforts by providing means for financing public sector imports of raw materials, semi-finished products, machinery, equipment, and spare parts, as well as other essential commodities (including some feed grains) and related services. The CIP will supplement A.I.D. project activities aimed at development of Egypt's infrastructure, industry, agriculture and social services by providing essential inputs to these sectors.

The conditions precedent, covenants, and general terms specified in Section IV of the PAAD will be included in the grant agreement.

111

EGYPT: U.S. FY 1983 CIP ASSISTANCE
Table of Contents

	<u>Page</u> Facesheet
PROGRAM ASSISTANCE APPROVAL DOCUMENT(PAAD).....	1
I. U.S. OBJECTIVES	1
II. BACKGROUND AND CIP JUSTIFICATION	2
A. Recent Economic Developments	2
B. Economic Justification	4
C. Relationship to PL 480 Title I, II and III	4
D. Impact on U.S. Balance of Payments	5
III. CIP IMPLEMENTATION	5
A. Past Experience	5
B. Administrative Provisions	6
C. Allocation of Funds	8
IV. LEGAL PROVISIONS	9
A. Establishment of the Local Currency Special Account	9
B. Conditions Precedent to Initial Disbursement.	9
C. Covenants	10
D. General Terms	10
ANNEX A. STATISTICAL TABLES (see List of Tables and Figures)	11
ANNEX B. STATUTORY CHECKLISTS	28
ANNEX C. TRADE FINANCING FACILITY	46

LIST OF TABLES AND FIGURES

Table I.	Balance of Payments, 1980/81-1983/84	12
Table II.	U.S. Economic Commitments to Egypt, FY 1975-1983	16
Table III.	Summary of CIP Agreements: Loans and Grants, by Agreement Number, FY 1975-FY 1983	17
Figure I.	Egypt CIP: Cumulative Allocation by Sectors, FY 1975 through FY 1983	18
Figure II.	Commodity Imports Financed Annually under Egypt CIP by Sector, FY 1979 - FY 1983	19
Table IV.	Summary of CIP Financing by Ministry or Agency, FY 1975 through 1983	20
Table V.	Commodities Financed under AID Commodity Import Program to Egypt, FY 1975 through 1983, by Commodity Grouping	21
Table VI.	Commodities Financed under AID Commodity Import Program to Egypt, FY 1975 through 1983, by Use Category	25

1

I. U.S. OBJECTIVES

The proposed FY 1984 CIP assistance package has both political and economic objectives. The immediate political objective is to demonstrate the continuity of U.S. support for the Mubarak government and its continuation of policies supportive of U.S. political objectives for a comprehensive and durable peace settlement in the Middle East. With the realization of the Egyptian-Israeli peace Agreement, the cornerstone of a comprehensive peace has been laid. Over the longer term, our policy aims at a satisfactory evolution of political and economic relations among all countries in the region. The cooperation of Egypt, the principal Arab country, is essential for these purposes. The GOE has demonstrated by its actions that it shares our desire to seek peaceful resolution of Middle East differences and an end to the state of tension that has adversely affected the well being of the people throughout the region. The continuing ability and willingness of Egypt to proceed toward this ultimate goal will depend on (a) sustaining domestic political stability; (b) avoiding short-term deterioration in the standard of living of the population; and (c) obtaining sufficient foreign resources to permit a continuing development effort. The overall objective of U.S. assistance to Egypt is to foster economic and social development that will facilitate and encourage the establishment of a permanent comprehensive peace. The critical importance of this objective, together with the fragile state of the Egyptian economy and its dependence on foreign assistance, at least over the next few years, justifies and necessitates the exceptionally high level of present and proposed U.S. assistance to Egypt.

The economic objective of U.S. CIP assistance is to help sustain Egyptian consumption, production and investment levels by providing a portion of the foreign exchange these require. The import requirements of each of these aggregates are substantial. More important, these requirements cannot now be funded on a self-sustaining basis out of such market-determined sources of foreign exchange as merchandise and service export earnings and direct investment inflows. The main current sources of foreign exchange revenues are petroleum, workers' remittances, tourism and Suez Canal revenues. Developing exports of agricultural and industrial products as additional sources of foreign exchange will be a lengthy process. In the meanwhile, sustaining the Egyptian economy at its present level of activity will require concessional and flexible balance of payments assistance of the type provided by the CIP. Although the CIP is in itself essential to development by easing the balance of payments constraint on productive activity, an effort will again be made to give the program a stronger direct orientation toward investment uses by earmarking half of the proposed \$300 million in FY 84 CIP funds for imports of capital equipment.

The remaining \$150 million of CIP assistance would be used to provide more traditional balance of payments support in the form of purchases of industrial raw materials, intermediate inputs, and direct consumables. Consistent with Egypt's Social and Economic Development Plan for 1982/83-1986/87 and with mutually agreed upon AID and GOE objectives, funds may be shifted between these two categories in response to priority development needs.

II. BACKGROUND AND CIP JUSTIFICATION

A. Recent Economic Developments

Egypt continues to face intransigent and deeply rooted economic problems that underlie and help explain the tenuous character of Egypt's balance of payments performance and the continuing need for balance of payments support through the CIP. The current Social and Economic Development Plan sets out the economic objectives and investment targets for 1982/83-1986/87 with which the GOE hopes to cope with its economic problems.

1. Employment

Since the 1950s, Egypt has contained unemployment levels within acceptable bounds by using the public sector as an employer of last resort. Over the last few years, the government has shifted away from this policy. Sustaining this shift, however is by no means assured. It has been facilitated by continuing strength in the demand for Egyptian labor in neighboring Arab countries. Some 10 to 15% of the current labor force of 12 million now works abroad. It also has been facilitated by the stimulus to the demand for labor afforded by a continuation into 1983 of relatively favorable real growth rates in construction. For the moment, Egypt cannot be characterized as a labor surplus economy, but it seems likely that it will have to cope with a labor surplus in the years to come. The new Development Plan specifies manpower development and a reduction in unemployment among its main objectives.

2. Growth

Between 1977 and 1980, Egypt registered an average real growth rate in GDP of about 9%, fueled by sharp surges in petroleum, worker remittances, tourism and the Suez Canal. With receipts from tourism and worker remittances levelling off since 1980 and with petroleum export receipts down by 16% in 1982/83, real growth rates are currently much more modest. Suez Canal dues are continuing to rise by about 10% annually and substantial domestic growth has continued in the construction, private business, electricity and transportation sectors. However, these increases have not been sufficient to replace the stimulatory effect on the national income of the earlier surges in foreign exchange income. Petroleum export receipts are likely to continue to be level as the effect of small production increases is offset by rising consumption and higher foreign company-owned shipments. Slower economic growth in the Gulf States and expanded training programs there for the greater use of local citizens are likely to prevent remittances to Egypt from emigrant workers from rising rapidly.

An especially disquieting development is the stagnation in agriculture and industry. While the production of onions, potatoes and some fruits has expanded significantly since 1977/78, the production of wheat, cotton, rice, maize, millet, and citrus fruits has stagnated. Production of most industrial commodities has increased little and, on an overall basis, industrial exports have declined in real terms from the LE 477 million achieved in 1978. Both agriculture and industry are the only

promising new growth stimuli to replace the earlier four foreign-source stimuli which together are projected to be level. Growth in these two sectors is needed to provide the export earnings supplements and gainful employment opportunities required to sustain favorable economic performance.

The achievement of growth in production is one of the central themes of the GOE's Social and Economic Development Plan for 1982/83-1986/87. The aggregate investment target over this five year period is LE 35 billion in 1981/82 prices, of which 25% is allocated for the expansion of industrial and mining production, 11% for the expansion of agricultural production, 8% in electricity, 8% in other public utilities, 13% in housing and 17% in transportation and communications. Egyptian planners hope that industrial and mining output will rise by 9.5% annually over the period of the plan and agricultural output 3.3%.

An adequate total of investment for the productive sector is certainly a necessary condition for significant growth in output and exports. Also important is an appropriate pricing policy for energy, agricultural products, industrial products and foreign exchange so as to encourage production efficiency, discourage uneconomic consumption, and channel new investment into Egypt's areas of comparative advantage. The GOE is moving slowly on price reform, in order to cushion or minimize the income losses occurring to some firms and households. Donor assistance through both project and non-project modes could alleviate the adverse effects of this adjustment process, if the GOE were to accelerate these reforms.

3. Balance of Payments ^{1/}

A leveling off in Egypt's four main foreign exchange earners while interest on debt and other payment obligations have continued to rise has caused a worsening in the balance of payments deficit on current account. As indicated in Tables I.A and I.B, this deficit rose from \$1.3 billion in 1980/81 to \$2.1 billion in 1981/82. We anticipate a similar current account deficit in 1983/84 since we believe that the \$500 million reduction achieved during 1982/83 can not be sustained. While reserves declined in 1980/81 and in 1981/82 and rose during 1982/83, we expect a rough balance to be achieved in 1983/84. International assistance provided about half of the total financing required over the last three years to balance out the current account deficit and amortization payments. The five year plan anticipates foreign credit facilities of some \$8 billion, roughly equivalent in annual terms to the foreign economic assistance Egypt has been receiving in recent years.

^{1/} See Annex B, Balance of Payments (February 1984), of the 1986 CDSS for additional background on Egypt's balance of payments situation in recent years and projected for the near-term.

B. Economic Justification

It will take considerable time and difficult policy reforms to place Egypt's balance of payments performance and development process on a more self-sustaining basis. During this period the U.S. assistance program will need to achieve an appropriate accommodation between flexible, development-related balance of payments support and project assistance. Non-project assistance, in the form of the commodity import program (CIP) and P.L. 480, can be as "developmental" as project assistance. By easing the balance of payments constraint on economic activity; by making available intermediate inputs and investment goods to agriculture, industry and other sectors of production; and even by taking the edge off consumer goods shortages, the CIP is a significant element in keeping the Egyptian economy functioning and developing rapidly.

The justification for large non-project assistance programs in Egypt hinges upon the country's adverse balance of payments outlook. With import requirements growing rapidly in response to an active development program and to the social needs of a burgeoning population, and with earnings expanding slowly but erratically, there are bound to be gaps between requirements and earnings that are difficult to predict both in terms of timing and amounts. Given, in addition, the weakness in Egypt's international reserve position and limited external borrowing capacity, locking too much of the U.S. assistance effort into project-like activities would preclude the flexible use of the CIP for development-related balance of payments support.

It is for this reason that the Mission continues to believe that structuring part of our assistance effort in a manner designed specifically to accommodate priorities reflected in the GOE Development Plan and the investment budget is a useful way to increase the flexibility and responsiveness of our assistance program to GOE requirements for quickly disbursing assistance.

The 50-50 allocation between capital goods and intermediate goods and consumables is a tentative allocation; during the course of implementation, it may be necessary to reallocate funds from one category to another, which we would do after review of CIP requirements. Such transfers within the grant would not require amendment of the PAAD.

C PL-480 Title I, II and III

From FY 1975 through 1983, the U.S. has financed \$1.9 billion in PL 480 title I and III commodities. The present annual programming level is \$225 million. The major portion of this assistance has been for wheat grain and flour. The wheat provided has been a critical element in meeting the demand for this basic foodstuff by the growing Egyptian population.

Title II grant obligations from FY 1975 through FY 1983 totaled \$143.4 million and have been used to support feeding and MCH programs in Egypt.

These PL 480 shipments complement CIP-financed shipments of corn, vegetable oil, tallow and of other consumer goods in helping to provide a higher level of domestic consumption than Egypt's stringent balance of payments situation would otherwise permit.

D. Impact on U.S. Balance of Payments

The long-term impact on the U.S. balance of payments will be favorable. The grant will be spent on U.S. goods and services. It will permit U.S. suppliers and exporters to strengthen recently developed trade relationships as well as create new ones. Past experience indicates that future follow-up orders for machinery and spare parts will result in additional U.S. exports on a commercial basis.

As mentioned previously, the GOE five year investment plan for 1982/83 - 1986/87 indicates that total aggregate investment during the five years will equal LE 35 billion in 1981/82 prices (\$42 billion at the present LE 0.84 per dollar official incentive commercial bank rate of exchange). A large proportion of the equipment component of total investment and a good part of the major construction services are imported. Although part of the capital goods imports will be tied to donor countries, much will be financed by the GOE and opened to international competitive bidding. As a result of trade relationships developed under the CIP, it is expected that U.S. suppliers should be able to win a substantial share of the bidding.

III. CIP IMPLEMENTATION

A. Past Experience

Since 1975, 17 CIP agreements have been signed obligating a total of \$2.8 billion. This figure compares with total U.S. commitments of \$8.5 billion since 1975, of which \$2.1 billion has been allocated for PL 480 commodities (see table II). Against these CIP obligations, over 2,800 letters of credit were issued to U.S. suppliers and disbursements totaled almost \$2.2 billion through September 1983. FY 1983 disbursements were \$302 million, considerably higher than the \$242 million average experienced during the previous eight years. Data on the 17 CIP agreements are presented in table III with respect to obligations, letters of credits, disbursements and initial and terminal shipping dates.

Sectoral allocations of CIP funds are presented in Figures I and II and in Table IV. From FY 1975 through FY 1983, industry has received the largest share of funds at 42% (\$1,153 million), followed by infrastructure at 30% (\$833 million), basic human needs at 12% (\$338 million) and agriculture at 11% (\$308 million). During FY 1981-FY 1983, these four sectors received allocations totaling (\$million) 343, 274, 108 and 129 respectively. The Ministry of Supply has been the largest receiving

Ministry during the last nine years at \$944 million, followed by Industry at \$723 million, Transport at \$270 million, Electricity at \$164 million and Information at \$103 million. The Private Sector has received \$138 million in allocations.

The principal industries supplied with raw materials, spare parts and equipment have been textiles, sugar, bakeries, cement, printing, aluminum and food processing. Past assistance to the power sector emphasized rehabilitation of stations and transmission systems as well as new generating equipment especially in Cairo, Suez, the Aswan Dam and the Sinai. Allocations for power generation are now suspended until resolution of the electricity tariff issue. The transport sector has been assisted with railroad rolling stock, freight cars, refrigerated rail cars; locomotives; railway maintenance and signalling equipment; Suez Canal radar equipment; marine engines and boat maintenance equipment and spare parts; trucks; tractors and trailers and repair; parts and road building machinery and maintenance equipment. The telecommunications program embraces a \$62 million microwave system for Cairo permitting 8,000 trunk lines and 300,000 new subscribers and a \$11 million microwave junction program for Alexandria.

Agricultural assistance has embraced shipments of corn, soybean meal, and fishmeal, mainly for use in raising poultry; vegetable seeds; insect spraying equipment; peanut shelling and roasting equipment; vegetable oil processing equipment; irrigation equipment; farm tractors, utility vehicles; and repair parts. Assistance in the health, sanitation and food sectors has included 275 ambulances; over 10,000 hospital beds; other hospital equipment; 300 refuse trucks; over 15,000 garbage containers; fire trucks; over 800,000 tons of tallow; laboratory, teaching and vocational equipment, printing equipment; library supplies; testing equipment; frozen poultry and edible oils.

Breakdowns of the commodities financed under the CIP through fiscal year 1983 are given in tables V and VI. Food items have totaled \$473 million, capital equipment \$812 million, and raw materials and other commodities \$1,040 million. The most important commodities have been corn; tobacco; tallow and other inedible oils; vegetable oils; frozen chickens; cooking oil; metallic products; iron/steel strips; agricultural and food machinery; printing machines; transformers, generators and motors; radio and radar apparatus; and motor vehicles.

B. Administrative Provisions

The CIP program is administered on a government to government basis, with the Ministry of Investment and International Cooperation (MIIC) acting as the coordinating body on the Egyptian side. The MIIC, in collaboration with the Ministries of Finance and Planning, allocates CIP grant funds to various economic sectors requiring foreign exchange at the time such funds become available. The receiving sector or Ministry suballocates its CIP allocation to central controlling organizations, authorities, and individual industries or groups under the Ministry's umbrella in accordance with the Ministry's priorities.

GOE procurement procedures are nearly identical for all public sector entities except for layering and the attendant higher level approval and decision processes required of subordinated entities. Each entity's central controlling organization initiates the procurement action, turning on-going details over to the user to resolve. The controlling organization maintains a purchasing committee, composed of member users and organization officials. Separate technical and awards committees also are in place. Once a purchase is initiated, these committees come into action, analyzing supplier proposals, recommending awards, and monitoring the purchase. A final decision to enter into a purchase contract is made by the organization's director, or the sector's ministry, depending upon the nature of the purchase. There are some variations in this procedure. In some areas, the ultimate end-users form their own buying group with ministry approval and undertake procurements in the same way as buying associations in the United States. In other areas, the buyer is a single industrial entity or an authorized distributor, and purchase authority may be delegated directly to the buyer after initial approval of the sub-allocation. There are over 120 separate public sector organizations participating in the CIP, purchasing either as the ultimate user or as a buying authority for several satellite members.

GOE procurement practices, traditionally followed with the use of GOE-owned foreign exchange and other donors' aid, do not mesh well with A. I. D. procedures that are designed to promote competition and to establish formal contract terms that are acceptable to both A. I. D. and the U.S. business community as a whole. USAID has ongoing programs to brief organizations receiving their first A. I. D. allocations and alert them to the preliminary work required under A. I. D. regulations. These steps did, at first, inhibit procurement and delay disbursements. However, continued use of CIP funds by the same organizations, familiarity with each other's (A. I. D. and GOE) procedures, and greater A. I. D. flexibility on negotiated procurement have all contributed to an accelerated CIP utilization.

Other recent procedures for prompt CIP utilization include:

- concentrating on repeat purchases of replacement equipment already defined and successfully purchased under past CIP programs.
- avoiding, where possible, custom-built commodities.
- confining low unit-value purchases to high volume orders for standard packages (e.g. the "basic education package".) Screening the intricate and diverse requirements for laboratory equipment, for example, required an inordinate amount of staff time.
- concentrating procurement activities on GOE agencies with a proven track record in effective and timely implementation. A certification of liquidity and the reallocation of funds now are required if procurement contracts are not produced within six months after allocation. This new requirement should permit a by-passing of several end-users that have delayed excessively in providing specifications or in making contract awards.

- a streamlined preparation and review of specifications by M/SER/COM and its support contractor have accelerated the flow of tender documents from AID/W over the past year.
- with respect to capital equipment purchases, many users are providing a structured justification of the feasibility and appropriateness of procurement packages and their specifications before an allocation of CIP funds is made. The user agency certifies that necessary action has been taken to permit the immediate and effective use of the commodities (eg identification and/or preparation of the equipment site, erection of the building where the equipment will be installed, plans for the installation or erection of the equipment, and plans for the operation and maintenance of the equipment). The USAID will continue to finance through the CIP such planning, training and technical consultant services as will help to speed up the preparation of good proposals for the procurement of capital equipment.

The new certification of liquidity has combined with a strengthening of GOE credit terms in causing difficulty in some proposed CIP transactions. Starting in 1982, the GOE has required end-users who do not pay cash to finance their purchases "at the highest rate set by the Central Bank at the time of L/C opening." The rate then varied from 5 to 10% depending upon the category of end-user. Beginning with the 1983 program, this rate was redefined as the "highest prevailing rate for industry set by the Central Bank at the time of L/C opening." This rate is currently 13% less a standard 1% discount and is expected to remain the same for the 1984 CIP. (Interest rates under the private sector production credit program are agriculture 11%, industry 13%, services 13-15% and traders i.e. outside the end-users 16%. In early March 1984, the Minister of Economy issued instructions to the Central Bank for applying the 1% interest rate discount on the capital goods imported through the production credit program). The other terms on the loans will remain the same for the 1984 CIP e.g. minimum down payment 25% and repayment in five annual installments for capital goods and in two annual installments for intermediate goods.

The recent tightening in credit terms has caused some GOE entities to seek "set aside" relief out of alleged inability to meet the new credit terms. We have turned down the application for relief from the Cairo airport authority on the ground that it is a revenue producing entity. Some exceptional relief has been granted to a few printing firms against old allocations of funds on the ground that their budgetary planning had begun before the new credit terms went into effect. Against any new allocations of funds, the criterion we plan to apply on a case-by-case basis in any considerations for set-aside relief will be that the entity be non-revenue producing and provide an essential public service. We are working with GOE officials in a joint effort to overcome difficulties in this area.

C. Allocation of Funds

The overall allocation of CIP funds is the same as during the previous two years, viz:

- a. Food staples and industrial raw materials \$150 million
- b. Capital goods \$150 million

The first category is expected to continue to feature yellow corn, poultry, edible oil, coking coal and industrial tallow. The capital goods category will continue to cover capital equipment purchases proposed in the GOE investment budget and specifically covered in the approved budget of the user agency. The list of proposed capital equipment procurements received each time from the MIIC includes a statement attesting that the items therein satisfy the criteria for capital equipment. As an additional procedure to ensure an effective congruence between CIP procurements and GOE/USAID development objectives, the proposed procurements list is circulated to all USAID Associate Directors for comments before final USAID concurrence. Taking into account development concerns and CIP implementation patterns during the year, USAID and the MIIC may, by mutual agreement, reallocate funds between these two categories.

The allocation experience to date for capital goods (including spare parts) has been 54% under agreements 055, 601, 602, and 603; 43% (including the amount reserved for TFF) under agreement 604 with 3% unallocated; and 55% (including the amount reserved for TFF) under agreement 606.

IV. LEGAL PROVISIONS

A. Local Currency Special Account

In accordance with Section 609 of the Foreign Assistance Act of 1961, as amended, and as provided in the US/GOE Bilateral Agreement that was entered into on October 15, 1978, the Government of the Arab Republic of Egypt was to establish a Special Account in the Central Bank of Egypt and to deposit therein currency of the Government of Egypt in amounts equal to proceeds accruing to the government, or any agency thereof, as a result of the sale or importation of eligible items. The Special Account was established in conjunction with the FY 1979 Supplemental Commodity Import Program Grant.

The MIIC has recently taken several important steps to improve management of the Special Account and to avoid recurrence of difficulties similar to that of the unauthorized transfer by the Ministry of Finance of LE 85 million and failure to collect amounts due under credit terms extended to importers. The MIIC has developed a multi-step plan to correct these deficiencies. First, it has established an interim system which applies to all current and future transactions. This system requires that

for cash purchases, importers pay 100 percent of funds when a bank L/COM is used and 25 percent of funds when a direct L/Com is used, with the remaining 75 percent paid before release of shipping documents. For credit purchases, importers must pay 25 percent before the AID Financing Request or bank letter of credit is issued and must sign a promissory note for the remaining 75 percent before shipping documents are released.

The second step to improve control of the Special Account includes development and implementation of a new accounting system. The MIIC established by Ministerial Decree a committee, including the Ministry of Finance and Central Bank, which has instructed a task force of the Central Bank auditor and independent auditors of the four Egyptian public sector banks to develop an accounting and reporting system for the Special Account. The committee is expected to conclude its work by January 1, 1985. Release of the last \$200 million of CIP funds under this agreement will be contingent upon installation and operation of this new accounting system, and the grant agreement will include a condition precedent to that effect.

The third major improvement in the Special Account will be collection of arrearages resulting from previous extensions of credit to importers. The MIIC has advised the Mission by letter that after the identification of importers with arrearages (which will be done as part of the new accounting system) they will be divided into two categories. The first category, importers under the jurisdiction of GOE ministries, will be provided with extra budgetary allocations to recover arrearages. The second category, other public sector importers, will be approached individually to make outstanding payments into the Special Account. If payments are not made, the MIIC will take administrative actions to collect arrearages.

In addition to the above measures undertaken by MIIC, the Mission is implementing extra safeguards including: (a) maintenance of manual ledgers to monitor each CIP transaction to ensure timely counterpart payments and (b) addition of a provision in USAID no-objection letters requiring the importers to present to USAID deposit slips for down payments and copies of promissory notes when shipping documents are received.

To encourage carrying out of this plan, a condition precedent to disbursement of funds in excess of \$100 million will be included in the grant agreement to require development and implementation of an accounting system for collection (including unpaid balances, if any), deposit, and disbursement of local currency generated under this and all other CIP grant agreements.

B. Conditions Precedent to Disbursement

1. Condition precedent to initial disbursement. Prior to any disbursement under the grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.: A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the grantee pursuant to section 8.2, together with a specimen signature of each person; and

2. Conditions precedent to disbursement of funds in excess of \$100 million and to disbursement of funds on or after January 1, 1985. Prior to disbursement, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, in excess of \$100 million, and prior to disbursement, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, on or after January 1, 1985, the grantee shall, except as a A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. Evidence that the task force formed by the steering committee from the Ministry of Finance and Ministry of Investment and International Cooperation (latter now succeeded by the Ministry of Planning), established by the Minister of Investments' Ministerial Decree No. 134 dated June 27, 1984, has developed and implemented an accounting system for collection (including unpaid balances, if any), deposit, and disbursements of local currency generated under this and all other CIP grant agreements.

b. A proposed allocation, for the year following signature of this agreement, of available CIP Generated local currency for item 1 of the Memorandum of Understanding regarding the Special Account.

C. Covenants

1. The Grantee will maintain a Special Account in the Central Bank of Egypt and will deposit therein Egyptian currency in amounts equal to the proceeds of the importation and sale of eligible items, except as A.I.D. may otherwise agree in writing. Funds in the Special Account will be used for such purposes as are mutually agreed upon by A.I.D. and the Grantee and otherwise specified in the agreement.

2. Periodically, but no less than twice annually, the Grantee and A.I.D. will meet to discuss the status of the economy, associated economic issues, and the relationship of the A.I.D. program to these concerns.

D. General Terms

1. Unless A.I.D. otherwise agrees in writing, any set-asides or extraordinary allocation of funds shall be agreed to by A.I.D. and the Ministry of Planning and set forth in Implementation Letters.

2. Unless A.I.D. otherwise agrees in writing, commodities and related services financed under the grant shall have their source and origin in the United States.

3. Unless A.I.D. otherwise agrees in writing, the terminal date for disbursement shall be thirty-six (36) months after the Conditions Precedent have been met.

4. Labor services for the rebuilding of railway equipment are authorized to be financed.

5. Short-term technical advisory and training services in addition to those specified for under Regulation I may be agreed to by A.I.D. and the Ministry of Planning on a case-by case basis where such services would contribute to the proper operation, maintenance, or application of commodities financed by A.I.D.

6. The grant shall be subject to such other terms and conditions as A.I.D. may deem advisable.

ANNEX A

TABLE I
EGYPT: BALANCE OF PAYMENTS
A. MERCHANDISE TRADE
(In Millions of Current Dollars)

<u>Transaction</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>Projected 1983/84</u>
Exports: Total	4,050	4,068	3,527	3,600
Goods except Petroleum	1,128	1,076	1,017 ¹	1,000
Cotton	326	291	314	
Other agricultural products	194	157	152	
Industrial products	608	628	551	
Petroleum	2,922	2,992	2,510	2,600
Crude oil ²	2,560	2,600	2,182	2,300
of which:				
Excess cost recovery oil ²	863	778	695	750
Refined products	362	392	328	300
Imports: Total ³	8,722	8,600	8,300	8,900
Food	2,312	2,221	2,210	
Capital goods	2,188	2,224	2,223	
Other	4,222	4,155	3,867	
Trade Deficit	4,672	4,532	4,773	5,300

Footnotes and Sources on following page.

TABLE I (CONT'D)
A. MERCHANDISE TRADE (CONT'D)

1/ Some special exports and payment therefor of a largely one-time nature were unrecorded. These may have totalled about \$200 million.

2/ Shipments of foreign partners' profit share and cost recovery are not included by Egypt in its recorded exports or in those reported by the International Monetary Fund. For example, the tabulation on p. 89 of the IMF's ARE - Recent Economic Developments, SM/83/116 of June 7, 1983 reports Egypt's share only, including receipts of excess cost recovery petroleum. If the unit values for the foreign partners' cost recovery shipments during these four years are assumed to be the same as for the Egypt share shipments, then these foreign partners' share shipments are valued as shown below.

	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>Projected 1983/84</u>
<u>Million tons:</u>				
Foreign partners cost recovery shipments	1.8	2.3	2.9	3.0
Profit share shipment	<u>3.6</u>	<u>3.7</u>	<u>3.9</u>	<u>4.5</u>
T O T A L	5.4	6.0	6.8	7.5
<u>Billion dollars:</u>				
T O T A L	1.31	1.34	1.38	1.50

3/ Imports financed through some civilian grant assistance as well as military shipments and credits are unrecorded in official statistics. Equipment brought in by foreign oil companies valued at \$650-750 million annually is also unrecorded either as imports or as direct investment. The current account deficit and capital account transactions are correspondingly under-estimated.

Sources: Petroleum data from Egypt General Petroleum Company, other data from Central Bank of Egypt. 1983/84: Mission projection.

TABLE I (cont'd)
EGYPT: BALANCE OF PAYMENTS
B. SERVICES
(In Millions of Current Dollars)

<u>Transaction</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>Projected 1983/84</u>
Service Receipts				
Suez Canal Dues	780	909	957	1,060
Bunkers	257	337	300	300
Tourism ¹	712	611	600	600
Worker remittances ²	2,855	2,032	3,000	3,200
Cash (official)	1,123	685	1,000	
Own-exchange imports ³	1,732	1,347	2,000	
Investment income	404	468	400	500
Other	530	634	750	740
Total receipts	5,538	4,991	6,000	6,400
Service Payments				
Investment income and Interest on debt ⁴	759	912	1,160	1,300
Travel & Government	407	486	430	450
Other payments	1,033	1,227	1,420	1,550
Total payments	2,200	2,626	3,000	3,300
Services, Net	3,338	2,365	3,000	3,100
Unrequited Transfers	63	51	40	50
Current Account Deficit	1,271	2,116	1,733	2,150

¹ Excludes unrecorded tourism remittances, resulting from increasing divergence between official bank and free market rates, which have expanded from about \$150 million during 1980/81 to about \$300 million during 1982/83.

² Total worker remittances, recorded and unrecorded, probably come to about \$4 billion annually. As explained in Cairo 24048, the dip during 1981/82 and subsequent recovery were mostly unreal, being caused by greater restrictions on worker use of official own exchange system during 1981/82 and later liberalization. To the extent that the unrecorded tourism receipts and worker remittances are used to finance imports, the official import figures are underestimated.

³ Includes imports of raw materials and intermediate goods for Law 43 companies, financed through worker remittances on the own-exchange import basis, amounting to \$200-300 million annually (see IMF SM/83/116, pp. 48 and 119).

⁴ Probably includes interest payments on military debt.

Source: 1980/81-1982/83: Central Bank of Egypt except as adjusted by footnote 3 (see IMF SM/83/116, p. 123). 1983/84: Mission projection.

TABLE I (CONT'D)
EGYPT: BALANCE OF PAYMENTS
C. CAPITAL ACCOUNT
(In Millions of Current Dollars)

<u>Transaction</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
Current Account Deficit ¹	1,271	2,116	1,733	2,150
Amortization Payments	1,460	1,520	1,467	1,700
Governments and inter- national organizations	382	474	315	700
Suppliers	945	982	985	900
Banks ²	133	64	167	100
Total Financing Required	2,731	3,636	3,200	3,850
Direct investment	386	625	650	700
International assistance ³	1,626	1,389	1,747	1,800
U.S. Total ⁴	1,035	839	1,137	1,100
CIP	387	242	302	280
PI, 480	298	292	270	220
Projects	350	305	565	600
Other bilateral	391	300	310	400
Multilateral	200	250	300	300
Supplier credits	1,174	1,050	1,120	1,100
Other & errors & omissions	-597	36	-572	250
Change in Reserves ⁵	142	536	-889	

1/ Current account balance dollar figures represent LE transactions converted at the LE 0.70 or LE 0.84 per dollar rate in effect for the transaction recorded.

2/ Repayment of principal under the 1982 \$200 million Chase Manhattan Bank loan does not commence until 1984/85; repayment under the 1977 \$250 million loan will be about \$50 million during 1983/84. A repayment of \$50 million from a Development Bank loan is also due during 1983/84. All the other "banking facilities" tabulated by the Ministry of Economy in its foreign exchange budgets are short-term and are excluded here.

3/ Including grant civilian assistance but excluding military assistance. IMF tabulations on capital account omit grant assistance. See, for example, p. 124 of IMF SM/83/116. To the extent the financed goods and services are also unrecorded, our inclusion of grant assistance is a bias on the credit side.

4/ Figures are for US fiscal years (October-September) rather than GOE fiscal years (July-June).

5/ 1980/81 and 1981/82 figures from IMF SM/83/116, p. 45.

Sources: US assistance figures from USAID/Cairo controller reports. Other assistance figures from DAC ODA estimates. Most other data from p. 124 of IMF SM/83/116.

TABLE II
U. S. Economic Commitments to Egypt, FY 1975-1983
(In Millions of Dollars)

<u>Program</u>	<u>Amount</u>
Commodity import program	2,824
PL 480 Titles I, II and III	2,065
Industrial equipment, credit and technical assistance	565
Infrastructure	1,273
Urban and regional support	1,010
Agriculture and irrigation	249
Education and training	183
Science and technology, health and population	242
Other	<u>107</u>
Total	8,519

TABLE III
SUMMARY OF CIP AGREEMENTS - LOANS AND GRANTS
By Agreement Number
FY 1975-FY 1983
(In Thousands of Dollars)

Agreement No.	(A)	(B)	(C)	(D)	(E)	(F)	Eligibility Date	Terminal Dates	
	Amount Obligated	L/C's* Opened	In Process	Amount Available	Amount Disb'd	Amount Undisb'd		Shipping	Disbursement
GRAND TOTAL	2,823,852	2,327,512	72,330	425,535	2,223,938	599,914			
263-K-026	79,926	79,928	4,022	---	79,926	---	01-14-75	07-31-80	08-31-80
263-K-027	69,908	69,923	---	---	69,908	---	06-27-75	07-31-80	08-31-80
263-K-029	99,843	99,999	---	---	99,843	---	04-05-76	11-30-81	12-31-81
263-K-030	149,175	150,392	---	---	149,175	---	10-07-76	06-30-82	07-31-82
263-K-036	65,000	65,135	---	---	64,803	197**	09-30-76	06-30-82	07-31-82
263-K-038	440,000	439,419	---	581 N	436,788	3,212**	03-06-77	04-30-83	06-30-83
263-K-045A	226,000	225,173	---	827 N	222,848	3,152**	02-27-78	03-31-83	04-28-83
263-K-045B	74,000	73,952	---	48 N	72,935	1,065**	02-27-78	03-31-83	04-28-83
263-K-052	250,000	247,998	611	1,391	244,818	5,182	05-19-79	09-22-84	10-22-84
263-K-053	30,000	29,958	---	42	29,069	931	06-30-80	06-30-84	07-31-84
263-K-054	250,000	237,995	6,152	5,853	241,049	8,951	06-30-80	06-30-84	07-31-84
263-K-055	70,000	63,595	853	5,552	63,686	6,314	06-28-81	08-31-84	09-15-84
263-K-601	85,000	84,498	41	461	83,717	1,283	08-29-79	12-31-83	01-15-84
263-K-602	55,000	53,544	912	544	53,004	1,996	06-30-80	06-30-84	07-31-84
263-K-603	230,000	192,882	23,532	13,586	173,990	56,010	06-28-81	08-31-84	09-15-84
263-K-604	350,000	213,121	40,229	96,650	138,379	211,621	02-05-82	05-31-85	06-30-85
263-K-605	300,000	---	---	300,000	---	300,000	07-25-83	06-25-86	07-25-86

* "L/C's Opened" amount is greater than "Amount Obligated," when (1) a refund is made against an Agreement and not a specific L/COM or (2) when a U.S. bank releases residual or expiring funds and such funds have been utilized, but the local bank fails to identify the specific L/C's to be decreased.

** Agreements have expired and funds are being deobligated.

N Non Add, is not included in available amount.

Col (C). "In Process" means funds have been reserved for an identified transaction.

Col (D). "Available" means that no transaction has been approved. However, specifications may be in process by importer.

Columns (B)+(C)+(D) = column (A). Also, Columns (E)+(F) = column (A), unless affected by one of the caveats stated above.

TABLE IV
Summary of CIP Financing FY 1975 Thru FY 1983
By Ministry/Agency

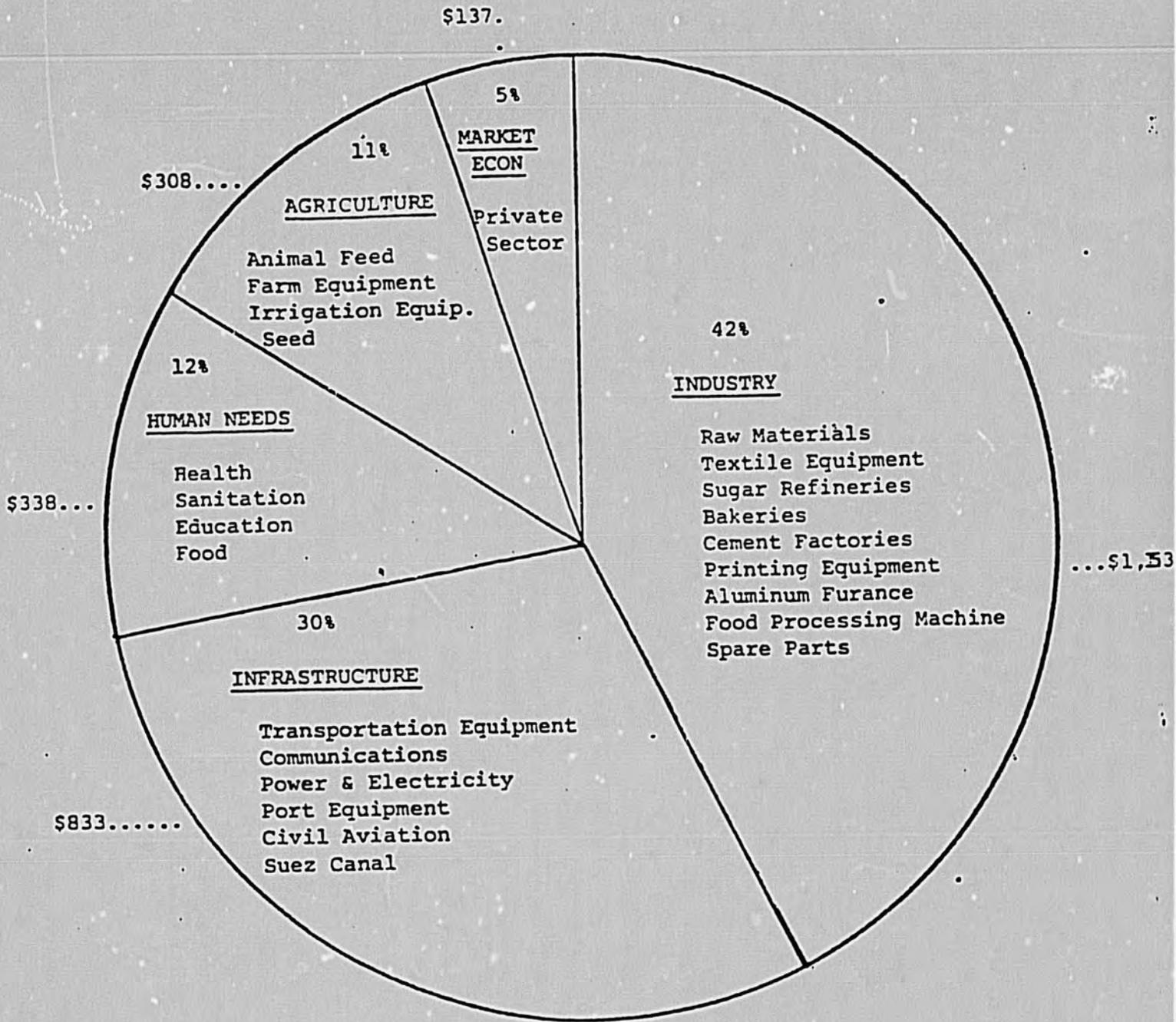
(In Thousands of Dollars)

MINISTRY/AGENCY	(A) Amount Allocated	(B) Percent Of Total	(C) L/C's Opened	(D) In Process	(E) Available
TOTAL	2,827,654*	100.0%	2,327,513	72,986*	429,156
Ministry of:					
Agriculture	49,067	1.7%	35,463	1,212	12,392
Central Agency for Auditing	2,500	0.1%	--	--	2,500
Civil Aviation	7,150	0.3%	1,869	81	5,200
Civil Production	5,000	0.2%	--	--	5,000
Communications	74,195	2.6%	74,122	--	73
Education	72,374	2.6%	44,721	4,559	23,094
Electricity	163,766	5.8%	115,124	16,915	31,727
Finance	3,000	0.1%	--	--	3,000
Health	17,219	0.6%	10,027	--	7,192
Industry	722,574	25.6%	607,665	13,206	101,703
Non-GOFI	(652,193)	(23.1%)	(546,402)	(4,896)	(100,895)
GOFI	(70,381)	(2.5%)	(61,263)	(8,310)	(808)
Information	102,542	3.6%	87,485	2,051	13,006
Irrigation	21,580	0.8%	9,873	1,286	12,421
Justice	1,000	n.a.	--	--	1,000
RNC	51,958	1.8%	22,537	4,660	24,761
Social Affairs & Ins.	3,152	0.1%	--	2,000	1,152
Supply	943,549	33.4%	888,370	2,001	53,179
Trade	8,785	0.3%	8,784	--	1
Transport	270,197	9.5%	204,880	15,761	49,556
Governorates	61,598	2.2%	36,693	6,325	18,580
Suez Canal Authority	46,468	1.6%	40,534	2,929	3,005
Private Sector	137,813	4.9%	133,447	--	4,366
TFF	15,919	0.6%	5,919	--	10,000
MIIC (Unallocated)	46,248	1.6%	--	--	46,248

* Deobligated amounts from expired agreements have not been deducted from Ministry totals.
USAID is attempting to obtain required information on L/C utilization from local banks.
Appropriate adjustments will be made when information is received.

Columns (C)+(D)+(E) = Column (A).

STATE OF YEMEN: IMPACT PROGRAM: CUMULATIVE
RELATIONS BY SECTORS, FY 1975 THROUGH FY 1983
(In Millions of Dollars)

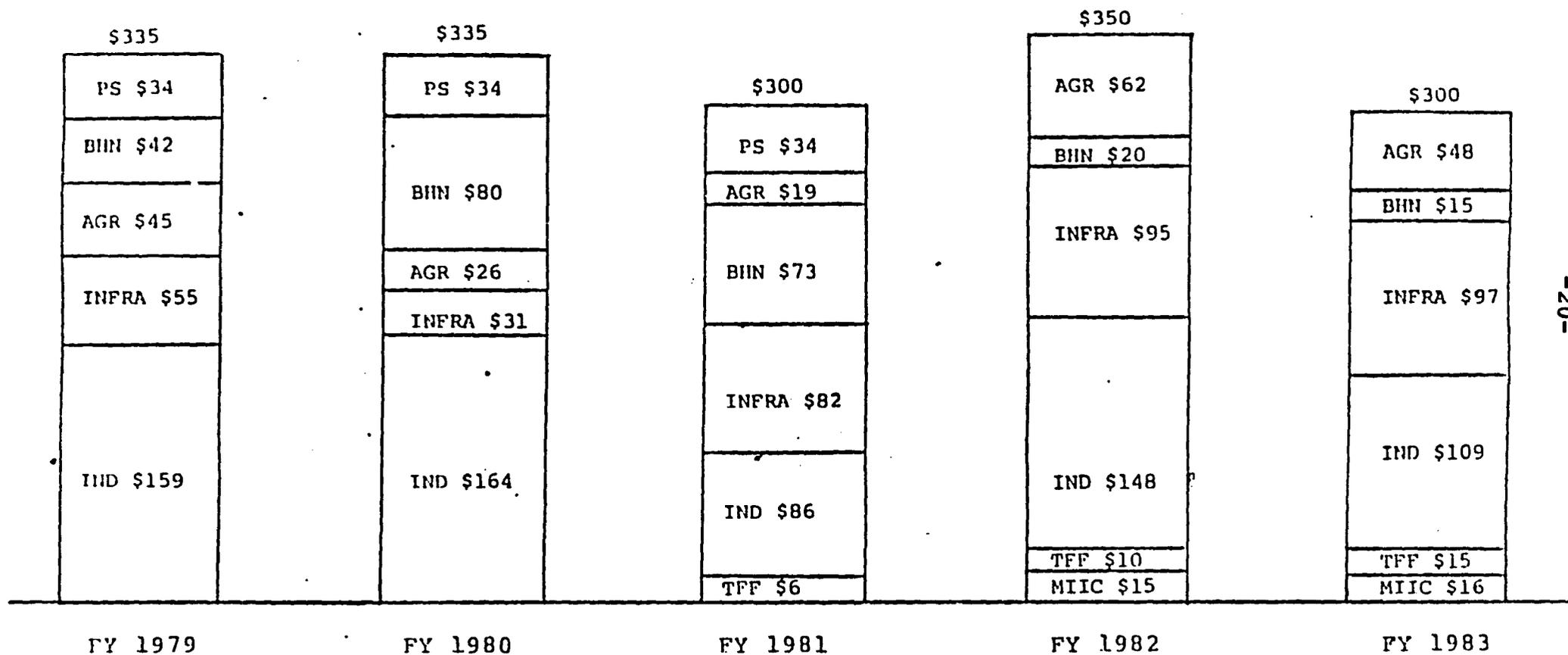


TOTAL: \$2,769 MILLION*

*This Figure excludes:

TFF	\$25.0 Million
Reserved	\$31.0 Million

FIGURE II
COMMODITY IMPORTS FINANCED ANNUALLY UNDER EGYPT CIP, BY SECTOR: FY 1979-1983
(In Millions of Dollars)



AGR - Agriculture
 BHIN - Basic Human Needs
 IND - Industry
 INFRA - Infrastructure
 PS - Private Sector
 TFF - Trade Financing Facility
 MIIC - Ministry of Investment & Intl. Co-op

TABLE V

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
 Fiscal Year 1975 Through Fiscal Year 1983
 By Commodity Grouping
 (L/C Values in Dollars)

Schedule "B" No.	DESCRIPTION	Dollar Amount
444	SYNTHETIC RESINS & PLASTICS MATERIALS	9,379,677
446	RUBBER	2,863,572
464	TERGITOL	81,000
471	DYEING & TANNING PRODUCTS	4,269,409
472	PIGMENTS/PIGMENTLIKE MATERIALS	1,317,589
474	INKS, PAINTS, AND RELATED PRODUCTS	25,153
475	PETROLEUM PRODUCTS	145,480
486	PESTICIDES, SYNTHETIC ORGANIC	1,549,728
487	PLASTICIZERS, PHOTO & TEXTILE CHEMICALS	90,721
492	CARBONS, ISOTOPES, WAXES, ETC.	33,284
496	SURGICAL SUPPLIES	94,328
517	GRAPHITE ELECTRODES	8,818,833
521	COOKING COAL & MISC. NONMETALLIC PRODUCTS	154,762,476
523	ELECTROLYTIC MANGANESE DIOXIDE	36,675
531	REFRACTORIES, BRICK	1,026,189
535	IND. CERAMICS; INSULATED WASHERS, ETC.	1,119,355
540	GLASS PRODUCTS, FILTERS, ETC.	188,840
547	CATHODE/INCAND. LAMPS, ETC.	44,541
601	PVC, METALIZED	351,831
607	IRON, SCRAP	2,271,500
608	IRON/STEEL BARS, INGOTS, RODS, ETC.	17,237,158
609	IRON/STEEL STRIPS, COATED OR PLATED	89,321,843
612	COPPER SHEETS, RODS, WIRE, ETC.	3,325,037
613	COPPER PIPES/TUBES/FITTINGS, ETC.	258,868
618	ALUMINUM BARS, SHEETS, PIPES, ETC.	151,616
626	ZINC INGOTS	98,901
640	METAL CONTAINERS	2,770,319
642	WIRE CORDAGE/SCREEN/NETTING, ETC.	461,118
646	SP PARTS/EARTHMOVING EQUIP	101,150
647	HINGES, DOOR CLOSERS, & FITTINGS	278,410

TABLE V

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
Fiscal Year 1975 Through Fiscal Year 1983
By Commodity Grouping

(L/C Values in Dollars)

Schedule "B" No.	DESCRIPTION	Dollar Amount
GRAND TOTAL		2,324,762,639
105	CHICKENS, FROZEN	62,067,347
126	SEEDS, GARDEN & FIELD	15,600
127	SEEDS, OTHER	1,956,068
130	CORN	297,985,808
140	LEGUMINOUS VEGETABLES	14,300,778
170	TOBACCO	130,396,972
175	OIL-BEARING SEEDS, EXCL. PEANUTS	776,477
176	OILS, VEGETABLE	96,205,373
177	TALLOW & OTHER INEDIBLE OILS	314,327,223
184	ANIMAL FEEDS & ADDITIVES	29,913,019
202	LUMBER, SIDING, FLOORING, ETC.	3,419,552
250	PAPER & PRODUCTS, INCL. WOODPULP	35,294,724
252	PAPER/PAPERBOARD IN ROLLS/SHEETS	12,962,049
256	PAPER/PAPERBOARD, CUT TO SIZE	2,035,649
270	TRAINING AIDS	135,000
300	COTTON	9,709,500
309	MANMADE FIBERS	34,248,953
310	MANMADE YARNS	24,835,424
404	CHEMICAL COMPOUNDS, CYCLIC	13,101,749
415	CHEMICAL ELEMENTS, ENCL. SULPHUR	17,828,979
408	CALCIUM HYPOCHLORITE	113,644
419	MANGANESE DIOXIDE	184,587
421	SODIUM COMP., INCL. CAUSTIC SODA	1,022,564
422	TIN & TUNGSTEN COMPOUNDS	54,989
423	CHEMICALS (ZEOFREE)	8,391
431	CHEMICAL COMPOUNDS, ACYCLIC	3,345,392
433	CHEMICAL MIXTURES & PREPARATIONS	863,387
436	ALKALOIDS, VITAMINS, ETC.	222,116
442	AMPROL, IN PLASTIC BAGS	320,654

TABLE V

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
Fiscal Year 1975 Through Fiscal Year 1983
By Commodity Grouping

(L/C Values in Dollars)

Schedule "B" No.	DESCRIPTION	Dollar Amount
648	HAND TOOLS: SHEARS, PLIERS, ETC.	182,484
649	INTERCHANGABLE HAND TOOLS	746,094
651	MISCELLANEOUS HAND TOOLS	738,702
652	PREFAB BLDGS, CHAINS, SPRINGS, ETC.	4,212,695
653	WELDING ELECTRODES/LIGHTING FIXTURES	5,821,291
660	BOILERS/ENGINES/PUMPS FOR LIQUID, ETC.	38,115,525
661	REFRIGERATION & HEATING EQUIPMENT	17,726,568
662	FOOD PROCESSING MACHINERY	4,220,903
664	ELEVATORS/CRANES/EARTHMOVING EQUIPMENT	43,647,031
666	AGRIC, HORTICULTURAL & FOOD PREP MACH.	52,915,406
668	PRINTING MACHINES	62,304,266
670	TEXTILE MACHINES	4,409,056
672	SEWING MACHINES	70,711
674	MACHINES FOR WORKING METALS	8,815,096
676	DATA PROCESSING/OFFICE MACHINES	5,991,525
678	SORTING/CRUSHING/GINNING MACHINERY, ETC.	21,223,042
680	BEARINGS, BALL OR ROLLER	1,507,497
682	TRANSFORMERS/GENS/MOTORS/BATTERIES	80,156,087
683	HAND-DIRECTED TOOLS W/MOTOR/STORAGE BAT.	5,372,367
684	TELEGRAPH & TELEPHONE APPARATUS	1,893,443
685	RADIO & RADAR APPARATUS	139,014,138
686	ELECTRICAL FILAMENT LAMPS	329,259
687	ELECTRIC LAMPS & ELECTRONIC TUBES	116,751
688	TELEPHONE & TELEGRAPH WIRE & CABLE	26,343,099
690	RAILWAY EQUIPMENT ¹	23,888,697
692	MOTOR VEHICLES ¹	216,248,964
694	AIRCRAFT, FOR AGRICULTURAL USE	6,200,415
699	SHIPS, BOATS, FLOATING STRUCTURES	4,286,841
700	SCIENTIFIC EQ	7,205
703	SAFETY HEADWEAR	40,353

^{1/} Schedule B No. 692, Motor Vehicles, is coded to include material, parts and components for railway equipment (e.g. diesel motors) which should more properly be included in No. 690, railway equipment and parts.

TABLE V

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
Fiscal Year 1975 Through Fiscal Year 1983
By Commodity Grouping

(L/C Values in Dollars)

Schedule "B" No.	DESCRIPTION	Dollar Amount
708	IND. SAFETY ARTICLES: GOGGLES, ETC.	1,931,369
709	MEDICAL & SURGICAL INSTRUMENTS	15,536,375
710	MEDICAL & SURGICAL APPARATUS	1,685,731
711	MEASURING/TESTING INSTRUMENTS	2,924,996
712	MEASURING/CONTROLLING INSTRUMENTS	2,269,153
715	PRECISION MACH	46,191
722	PHOTOGRAPHIC EQUIPMENT	1,492,325
723	PHOTOGRAPHIC SUPPLIES	1,960,822
727	FURNITURE: LABORATORY & OFFICE	7,734,616
770	RUBBER/PLASTIC PRODUCTS	1,484,936
771	POLYVINYL BUTYRAL	208,240
772	TIRES AND TUBES	2,664,910
774	JOINT CLOSURES	8,855
793	EDUCATIONAL MATERIAL	16,001,834
798	SPARE PARTS, VARIOUS	17,861,840
989	FREIGHT & RELATED COSTS	61,241,966
991	TECHNICAL SERVICES	3,030,400

TABLE VI

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
Fiscal Year 1975 Through Fiscal Year 1983
By Use Category

(L/C Values in Dollars)

COMMODITY DESCRIPTION	DOLLAR AMOUNT
<u>GRAND TOTAL</u>	<u>2,324,762,639</u>
<u>FOOD ITEMS</u>	<u>473,307,451</u>
CHICKENS, FROZEN	62,067,347
CORN	297,985,808
LEGUMINOUS VEGETABLES	14,300,778
OIL-BEARING SEEDS, EXCL. PEANUTS	776,477
OILS, VEGETABLE	96,205,373
SEEDS, GARDEN & FIELD	1,971,668
<u>RAW MATERIALS</u>	<u>1,039,710,241</u>
ALKALOIDS, VITAMINS, ETC.	222,116
ALUMINUM BARS, PIPES, ETC.	151,616
AMPROL, IN PLASTIC BAGS	320,654
ANIMAL FEEDS & ADDITIVES	29,913,019
BEARINGS, BALL OR ROLLER	1,507,497
CALCIUM HYPOCHLORITE	113,644
CARBONS, ISOTOPES, WAXES, ETC.	33,284
CATHODE/INCAND. LAMPS, ETC.	44,541
CHEMICAL COMPOUNDS, ACYCLIC	3,345,392
CHEMICAL COMPOUNDS, CYCLIC	13,101,749
CHEMICAL ELEMENTS, INCL. SULPHUR	17,828,979
CHEMICAL MIXTURES & PREPARATIONS	863,387
CHEMICALS (ZEOLITE)	8,391
COOKING COAL & MISC. NONMETALLIC PRODUCTS	154,762,476
COPPER PIPES/TUBES/FITTINGS, ETC.	258,868
COPPER SHEETS, RODS, WIRE, ETC.	3,325,037
COTTON	9,709,500
DYEING & TANNING PRODUCTS	4,269,409
EDUCATIONAL MATERIAL	16,001,834
ELECTROLYTIC MANGANESE DIOXIDE	36,675
FREIGHT & RELATED COSTS	61,241,966
GLASS PRODUCTS, FILTERS, ETC.	188,840
GRAPHITE ELECTRODES	8,818,833
HINGES, DOOR CLOSERS, & FITTINGS	278,410
INKS, PAINTS, AND RELATED PRODUCTS	25,153
IRON, SCRAP	2,271,500

TABLE VI

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
Fiscal Year 1975 Through Fiscal 1983
By Use Category

(L/C Values in Dollars)

COMMODITY DESCRIPTION	DOLLAR AMOUNT
<u>RAW MATERIALS (Cont'd)</u>	
IRON/STEEL BARS, INGOTS, RODS, ETC.	17,237,158
IRON/STEEL STRIPS, COATED OR PLATED	89,321,843
JOINT CLOSURES	8,855
LUMBER, SIDING, FLOORING, ETC.	3,419,552
MANGANESE DIOXIDE	184,587
MANMADE FIBERS	34,248,953
MANMADE YARNS	24,835,424
METAL CONTAINERS	2,770,319
PAPER & PRODUCTS, INCL. WOODPULP	35,294,724
PAPER/PAPERBOARD IN ROLLS/SHEETS	12,962,049
PAPER/PAPERBOARD, CUT TO SIZE	2,035,649
PESTICIDES, SYNTHETIC ORGANIC	1,549,728
PETROLEUM PRODUCTS	145,480
PIGMENTS/PIGMENTLIKE MATERIALS	1,317,589
PLASTICIZERS, PHOTO & TEXTILE CHEMICALS	90,721
POLYVINYL BTYRAL	208,240
PVC, METALIZED	351,831
REFRACTORIES, BRICK	1,026,189
RUBBER	2,863,572
RUBBER/PLASTIC PRODUCTS	1,484,936
SODIUM COMP., INCL. CAUSTIC SODA	1,022,564
SP PARTS/EARTHMOVING EQUIP	101,150
SPARE PARTS, VARIOUS	17,861,840
SURGICAL SUPPLIES	94,328
SYNTHETIC RESINS & PLASTICS MATERILAS	9,379,677
TALLOW & OTHER INEDIBLE OILS	314,327,223
TECHNICAL SERVICES	3,030,400
TERGITOL	81,000
TIN & TUNGSTEN COMPOUNDS	54,989
TIRES AND TUBES	2,664,910
TOBACCO	130,396,972
TRAINING AIDS	135,000
WIRE CORDAGE/SCREEN/NETTING, ETC.	461,118
ZINC INGOTS	98,901

TABLE VI
 COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
 Fiscal Year 1975 Through Fiscal Year 1983
 By Use Category

(L/C Values in Dollars)

COMMODITY DESCRIPTION	DOLLAR AMOUNT
CAPITAL EQUIPMENT	811,744,947
AGRIC, HORTICULTURAL & FOOD PREP MACH.	52,915,406
AIRCRAFT, FOR AGRICULTURAL USE	6,200,415
BOILERS/ENGINES/PUMPS FOR LIQUID, ETC.	38,115,525
DATA PROCESSING/OFFICE MACHINES	5,991,525
ELECTRIC LAMPS & ELECTRONIC TUBES	116,751
ELECTRICAL FILAMENT LAMPS	329,259
ELEVATORS/CRANES/EARTHMOVING EQUIPMENT	43,647,031
FOOD PROCESSING MACHINERY	4,220,903
FURNITURE: LABORATORY & OFFICE	7,734,616
HAND TOOLS: SHEARS, PLIERS, ETC.	182,484
HAND-DIRECTED TOOLS W/MOTOR/STORAGE BAT.	5,372,367
IND. CERAMICS; INSULATED WASHERS, ETC.	1,119,355
IND. SAFETY ARTICLES: GOGGLES, ETC.	1,937,369
INTERCHANGABLE HAND TOOLS	746,094
MACHINES FOR WORKING METALS	8,815,096
MEASURING/CONTROLLING INSTRUMENTS	2,269,153
MEASURING/TESTING INSTRUMENTS	2,924,996
MEDICAL & SURGICAL APPARATUS	1,685,731
MEDICAL & SURGICAL INSTRUMENTS	15,536,375
MISCELLANEOUS HAND TOOLS	738,702
MOTOR VEHICLES ¹	216,248,964
PHOTOGRAPHIC EQUIPMENT	1,492,325
PHOTOGRAPHIC SUPPLIES	1,960,822
PRECISION MACH	46,191
PREFAB BLDGS, CHAINS, SPRINGS, ETC.	4,212,695
PRINTING MACHINES	62,304,266
RADIO & RADAR APPARATUS	139,014,138
RAILWAY EQUIPMENT ¹	23,888,697
REFRIGERATION & HEATING EQUIPMENT	17,726,568
SAFETY HEADWEAR	40,353
SCIENTIFIC EQ	7,205
SEWING MACHINES	70,711
SHIPS, BOATS, FLOATING STRUCTURES	4,286,841
SORTING/CRUSHING/GINNING MACHINERY, ETC.	21,223,042
TELEGRAPH & TELEPHONE APPARATUS	1,893,443
TELEPHONE & TELEGRAPH WIRE & CABLE	26,343,099
TEXTILE MACHINES	4,409,056
TRANSFORMERS/GENS/MOTORS/BATTERIES	80,156,087
WELDING ELECTRODES/LIGHTING FLXTURES	5,821,291

^{1/} Schedule B No. 692, Motor Vehicles, is coded to include material, parts and components for railway equipment (e.g. diesel motors) which should more properly be included in No. 690, railway equipment and parts.

ANNEX B

STATUTORY CHECKLISTS

1. Country Checklist	29
2. Standard Item Checklist	36
3. Non-Project Assistance Checklist	42

5C(1) - COUNTRY CHECKLIST

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

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1983 Appropriation Act Sec. 133. Has it been determined

No

that the government of the recipient country has failed to take adequate steps to prevent narcotic 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?

2. 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 has reached agreement on such debts.

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

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

4. FAA Sec. 532(c), 620(a), 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?

No

5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.

N/A

6. 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.

7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? Egypt has reactivated an OPIC agreement with the U.S.
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? There is no known instance of such acts.
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds? No
10. FAA Sec. 620(s). -If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Yes

Consideration" memo:
"Yes, taken into account
by the Administrator at
time of approval of
Agency OYB." This
approval by the
Administrator of the
Operational Year Budget
can be the basis for an
affirmative answer during
the fiscal year unless
significant changes in
circumstances occur.)

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

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

12. 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? (Reference may
be made to the Taking
into Consideration memo.)

Egypt has paid all of its outstanding
UN obligations.

13. FAA Sec. 620A; FY 1982
Appropriation Act Sec.
520. Has the country
aided or abetted, by
granting sanctuary from
prosecution to, any
individual or group which
has committed an act of
international terrorism?
Has the country aided or

No

No

abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
15. 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 transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No
16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed No

to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

No

17. ISDCA of 1981 Sec. 721.
See special requirements for assistance to Haiti.

N/A

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

N/A

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

No

b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

N/A

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

N/A

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Procurement of commodities and services under the grant will be according to established A.I.D. Reg. 1 procedures.

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?

The grant authorized procurement from the U.S. only, except as A.I.D. may otherwise agree.

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

Egypt does not discriminate against U.S. marine insurance companies.

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be

No such procurement is contemplated

financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

5. FAA Sec. 603. Is the shipping excluded from 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?

It is not so excluded. A.I.D. Reg. 1, which is to be incorporated in the grant agreement, covers this requirement.

6. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? 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?

Yes

Yes

7. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes.

8. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? No such Contract is contemplated. However, if direct contract execute it will contain such a provision.

B. Construction

1. FAA Sec. 601(d). If 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 interests? N/A

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

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

C. Other Restrictions

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

N/A

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

N/A

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

YES. Additionally, any necessary determinations under this section will be made and issued.

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which

YES

relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

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. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

YES

f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?

YES

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues?

YES

h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to

YES

multilateral
organizations for
lending)?

i. FY 1982 Appropriation
Act, Sec. 510. To

YES

finance the export of
nuclear equipment, fuel,
or technology or to train
foreign nationals in
nuclear fields?

j. FY 1982 Appropriation
Act, Sec. 511. Will

NO

assistance be provided
for the purpose of aiding
the efforts of the
government of such
country to repress the
legitimate rights of the
population of such
country contrary to the
Universal Declaration of
Human Rights?

k. FY 1982 Appropriation
Act, Sec. 515. To be

NO

used for publicity or
propaganda purposes
within U.S. not
authorized by Congress?

NON-PROJECT ASSISTANCE CHECKLIST

The criteria listed in part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In part B a distinction is made between the criteria applicable to Economic Support Fund Assistance and the criteria applicable to Development Assistance. Selection of the appropriate criteria will depend on the funding source for the program.

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

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. App: Unnumbered:FAA Sec. 653(B); 634A

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the non-project assistance.

The FY 84 Congressional Presentation notified the Committee of AID's plans to allocate \$300 million for CIP activities.

(b) Is assistance within (Operational year budget) country or international organization allocation reported to the Congress (or not more than \$1 million over that figure plus 10)?

Yes.

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

No further legislative action is required to implement the program other than the customary ratification of the signed grant agreement.

3. FAA Sec. 209. Is assistance more efficiently and effectively given through regional or multilateral organization? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs.
- This program is not susceptible to execution as part of a regional multilateral program. Assistance is not expected to encourage regional development programs.
4. FAA Sec. 601(a). Information and conclusions whether assistance 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) This program will increase the flow of international trade by providing the necessary foreign exchange for the importation of goods.
- (b) The program is designed to foster private initiative and competition to the maximum extent possible.
- (c) No perceptible impact on such activities is attributable to this program.
- (d) No perceptible reduction of such practices is attributable to this program.
- (e) Imports of raw materials and spare parts significantly enhance the technical efficiency of industry, agriculture and commerce.
- (f) No perceptible impact.
5. FAA Sec. 601 (b). Information and conclusion on how assistance 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.
- To the extent that trade patterns between Egypt and the U.S. continue to grow and expand, we foresee this program as having a positive effect

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 United States are utilized to meet the cost of the contractual and other services.

Program essentially provides foreign exchange assistance for commodity imports. Minimal short term contracts or other services are financed under the CIP.

FAA Sec. 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?

No.

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund Assistance

(a) FAA Sec. 531 Will this assistance promote economic or political stability?

To the extent possible, does it reflect the policy directions of Section 102?

(a) It will promote economic stability by providing vital foreign exchange required for Egypt's development.

Yes, the program reflects the policy direction of Section 102 to the extent possible.

ANNEX C
Trade Financing Facility (TFF)

No fixed funding level will be authorized for the TFF in FY 1984. On a case by case basis, existing CIP funds will be set aside to provide mixed financing with other financial institutions for internationally competitive imports of U.S. Source and origin in transactions that qualify under the TFF criteria. The set-aside funds will provide acceptable transactions with a package of credit terms that match clearly defined mixed credit terms offered by foreign financing facilities for non-U.S. commodities.

Government of Egypt (GOE) Ministry of Economy circular number 1 of 1982 advises public sector Ministries, authorities and organizations of the availability of the TFF and describes the general situations where the TFF would be applicable. If it is determined that a U.S. supplier in a particular transaction provides an offer that meets the TFF criteria, the GOE may consider, with USAID approval, use of the CIP TFF.

It is current USAID practice to advise U.S. bidders to include in their proposals a statement that TFF might be available for matching more favorable credit terms offered by non-U.S. bidders. The USAID also provides them with copies in Arabic of the TFF circular to attach to their bids.

Because the decision to utilize funds under this set aside program is determined only after completion of international evaluation, the procedures of procurements are GOE procurement procedures in lieu of A.I.D. regulation 1 procedures followed under the normal CIP program. This principle will be set forth again in the grant agreement.

Detailed procedures for utilization of this trade financing facility are determined by agreement between the GOE and USAID and cover, at a minimum, the following:

1. Initiation of proposals to utilize the facility
2. Notice requirements
3. Requirements for competition
4. Treatment of unsolicited proposals
5. Price tests
6. Contract provisions
7. Commodity eligibility

In addition, the procedures take into account the requirement for coordination with the U.S. Export-Import Bank and other credit sources and obligations the U.S. may have under the Bern Agreement concerning mixed credits.