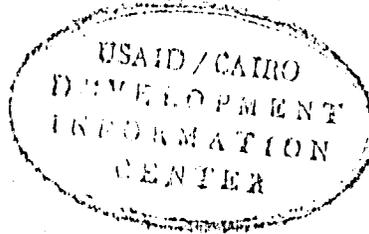


Dev. Info Center
PD-AMR-920
15A 01096
DC00
EG-AMP-016

UNCLASSIFIED

42

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



PROJECT PAPER

EGYPT: TECHNICAL AND FEASIBILITY STUDIES II

263-0013

Proposal and Recommendations
for the Review of the
NE Bureau Advisory Committee
Bureau for Near East

83

1976

UNCLASSIFIED

Best Available Document

EGYPT: TECHNICAL AND FEASIBILITY STUDIES II

TABLE OF CONTENTS

	<u>Page</u>
Summary and Recommendation	1
I. Background	2
II. A. A.I.D. Program Objectives	2
B. Fiscal Year 1976 and 1977 Projects	2
C. Egyptian Project Development Capability	2
D. A.I.D.'s FY 1975 Project Development Grant	3
III. The Project	7
IV. Project Implementation	10
A. The Ministry of Economy and Economic Cooperation	10
(MEEC)	
B. Implementation Procedures	10
C. Implementation Schedule	10
D. Eligible Services	10
V. Covenants and Conditions Precedent	11
 Annexes:	
A. Draft Grant Authorization	
B.	
C. Statutory Checklist	

EGYPT: TECHNICAL AND FEASIBILITY STUDIES II
SUMMARY AND RECOMMENDATIONS

1. Grantee: The Government of the Arab Republic of Egypt
2. Implementing Agency: Ministry of Economy and Economic Cooperation (MEEC).
3. Amount: U. S. \$8.0 million
4. Terms: Grant
5. Project Purpose: Assist the Government of the Arab Republic of Egypt (GOE) to identify, develop, evaluate and execute priority reconstruction and development projects.
6. Project Description: The grant will finance the foreign exchange cost of technical advice, feasibility studies, and other consulting services. Services will be carried out by U.S. individuals, consulting firms, and other appropriate institutions.
7. Grantee Contribution: The GOE will provide or fund office space, clerical help, drivers and vehicles, and the cost of private Egyptian firms assisting U.S. contractors.
8. Grant Application: The Government of Egypt has requested A.I.D. to provide U.S. \$8.0 million to finance the foreign exchange cost of these studies. See Annex B.
9. A.I.D. Representative Views: USAID/Cairo has recommended authorization of the proposed grant.
10. Source of U.S. Funds: Fiscal Year 1976 Security Supporting Assistance.
11. Statutory Requirements: All statutory criteria have been met. See Statutory Checklist, Annex B.
12. Summary of the Grant: A grant of \$8.0 million.
13. Project Committee:
 - NE/GD: Justin Williams
Charles B. Shorter
 - NE/ME: Frank Gillespie
 - GC/NE: Michael Kitay
 - ENGR/OPNS: Edwin D. Callahan
 - USAID/Cairo: Robert N. Bakley
Robert Maushammer

I. BACKGROUND

A. A.I.D. Program Objectives

The goal of U.S. assistance to Egypt is to foster economic and social development within Egypt and thereby to create the preconditions for more permanent peace in the Middle East. The U.S. is participating in a multi-donor effort to bring Egypt through this period of economic recovery.

The U.S. assistance program consists of projects for the reconstruction of the war-damaged Suez area, economic development projects, and commodity imports. This program provides resources that help Egypt to alleviate its chronic shortage of foreign exchange and balance of payments deficit.

B. Fiscal Year 1976 and 1977 Projects

Approximately \$500 million of Egyptian capital projects will be financed by A.I.D. during each of the Fiscal Years 1976 and 1977. In FY 1976 A.I.D. intends to provide capital grants to finance the foreign exchange costs of a steam power plant at Ismailia and a cement plant at Suez and various technical assistance in priority fields. Loans will be provided for gas turbine electric power generating plants at Helwan and Talka, equipment for the port of Alexandria, rehabilitation of the Mahalla textile plant, industrial sub-lending by the Bank of Alexandria, and production of improved tiles for irrigation drainage systems.

In Fiscal Year 1977, A.I.D. expects to finance capital projects for urban electric power distribution systems, food grain and vegetable oil storage and distribution facilities, further industrial sub-lending by the Bank of Alexandria, irrigation canal pumping and dredging equipment, a steam power plant at Suez, and a synthetic material (DMT) production plant.

Longer term projects may result from current studies of Cairo vehicle traffic, Cairo and Alexandria urban water supply systems, and cargo handling equipment requirements at Port Said.

From the foregoing, it is clear that the major focus of A.I.D. financial activity in Egypt in FY 1976 and 1977 will be on large industrial and other capital infrastructure projects that must be preceded by professional feasibility studies and other related consultant services.

C. Egyptian Project Development Capability

In 1974 an A.I.D.-Treasury Department Team conducted a survey of Egyptian project development capability. Particular attention was directed to the capability of Egyptian ministries to carry out project feasibility studies and to select and evaluate projects suitable for foreign public and private lenders as well as for domestic investments. The survey found that Egyptian ministries generally lack full understanding of the true nature of a feasibility study and have only limited capability to meet the qualitative standards routinely expected by international lending organizations. No examples of acceptable Egyptian

feasibility studies were found. When, as was often the case, technical content of a study was adequate, essential cost estimation and economic evaluation elements were missing.

The team concluded that there was an immediate and pervasive need for increased capability on the part of the Egyptian ministries to conduct professional project feasibility studies, and that, until the results of a long-term training program could improve Egyptian capability, the Government would have to contract with foreign consultants to produce urgently needed project feasibility studies. Foreign consultants would, however, work closely with their Egyptian counterparts and utilize Egyptian technical and economic staffs to the maximum practicable degree.

D. A.I.D.'s FY 1975 Project Development Grant

In March 1975, A.I.D. authorized a \$1.0 million Supporting Assistance Grant to the GOE to finance the foreign exchange costs of project development studies and activities (A.I.D. Grant Number 263-11-003). The grant agreement was signed on May 21, 1975 and is financing the following project development and project implementation activities.

ACTIVITIES BEING FINANCED FROM GRANT 263-11-003

<u>Title and Description</u>	<u>Estimated Cost</u> (Thousands)
a. <u>Review and Analysis of Load Projections for Egyptian Power Supply.</u>	\$64.0
<p>A review and analysis of Egypt's power supply and demand and projected needs. Study justified need for additional power generation and served as basis for two proposed FY 76 projects: the Ismailia Steam Power Plant and the Helwan-Talka Gas Turbine Plants.</p>	
<u>Suez Cement Plant Limestone and Clay Evaluation</u>	
<p>A review of the methods being used by Egyptian geologists to determine the quality and quantity of limestone and clay deposits to be exploited by a newly formed cement company which is a proposed recipient of a FY 1976 project grant.</p>	
c. <u>Suez Cement Plant Limestone and Clay Mining Plan</u>	\$ 9.0
<p>A review of the proposed mining plan, and resultant equipment needs, developed by Egyptian engineers for supplying raw material</p>	

to the newly formed cement company

- d. Environmental Study; FY 76 Power Projects \$ 16.0
An examination of the potential environmental problems existing at the proposed sites for two FY 76 power projects: the Ismailia Steam Power Plant and the Helwan-Talka Gas Turbine Generators.
- e. Ismailia Textile Plant Rehabilitation Study \$95.0
A complete technical/economic evaluation of the rehabilitation and modernization plans of the Mahalla textile plant, a proposed FY 76 project.
- f. Cairo Traffic Study \$30.0
A review of the Government's current plans for improving the traffic conditions in greater Cairo and recommendations for possible improvements.
- g. Electric Power Distribution Systems Study \$375.0
The study of the electric distribution systems in Cairo, Alexandria and five other principal cities in Egypt and the existing plans for their expansion; and the development of plans and recommendations for the systematic system rehabilitations and phased expansion through year 1982. The study will support a proposed FY 1977 project.
- h. Housing Policy Study \$41.0
A study of major issues and problems in the planning, financing and production of public and private sector housing. The report will develop recommendations for the solution of immediate problems and detail further studies needed in specific areas. It will be used in framing national housing strategy, an operating plan, and implementation procedures.
- i. Water Use and Management Survey \$39.5
Drawing from priorities identified in the Agriculture Sector Survey, a study team developed a coordinated project in management of water resources for use in irrigated agriculture. This team was charged with the verification of the feasibility of such a project and, if feasibility was established, with the preparation of key

elements of the project paper. Assuming approval of the project paper, a technical assistance project will be negotiated and implemented in FY 1976.

j. Bus Procurement Services

\$ 2.0

The Ministry of Transportation requested assistance in preparing technical specifications for 1,000 inter-city buses and 600 city buses that will be financed under A.I.D. loan. A Ministry of Transportation technical team, comprised of four members representing each of the major Egyptian transit authorities, was sent to Washington to coordinate preparation of the tender and specifications in AID/W. Total value of this procurement will be approximately \$50 to \$60 million.

k. Suez Prefabricated Housing Study

\$ 5.0

These services studied the possibility of establishing a prefabricated house building industry in Egypt to supply the needs of the reconstruction program for the war-devastated Suez Canal area.

l. Electric Power Distribution Equipment Procurement Services

\$95.0

A review and analysis of equipment needs to rehabilitate the electrical distribution networks in the Suez Canal area. Scope of work included preparation of technical specifications and complete invitation for bid documents for all required equipment. This study was the basis for a \$30 million grant project in FY 1975.

m. Maintenance Equipment Study

\$73.0

The GOE Ministry of Irrigation requested assistance with the purchase of electric pumps for two irrigated areas and for the provision of new dredging equipment for maintenance of irrigation canals and drains. The study team will assess the needs for pumps and dredges and determine the type of equipment that will be required. Their report is expected to provide the basis for a capital loan in FY 1977.

n. Investment Guide Preparation

\$25.0

The GOE requested A.I.D. to finance printing of a "Guide to Investment in Egypt". The purpose of the

guide is to acquaint prospective investors with the general nature of the Egyptian economy and to outline investment advantages. The Guide includes detailed procedures for applying for and carrying out investment projects. The guide was prepared in conjunction with the Ford Foundation.

o. Bank of Alexandria Survey \$ 7.5

A review of the BOA's financial statements, term lending operations and procedures, loan portfolio, and management capability. Data generated from the review will form an integral part of a project paper for a proposed A.I.D. FY 1976 intermediate credit institution loan.

p. Mahalla Textile Plant Rehabilitation Procurement Services \$20.0

A U.S. textile consulting firm will assist the Misr Spinning and Weaving Company at Mahalla to prepare technical specifications for capital equipment that will be financed by a proposed FY 1976 A.I.D. loan.

q. Technological Research and Development Study \$63.5

In preparation for a larger capital project, these services will study the organization and capabilities of the main Egyptian R&D institutions and define required project inputs from A.I.D. and the Government of Egypt.

r. Contingency \$12.0

TOTAL FY 75 Grant \$1,000.0

II. THE PROJECT

This proposed grant will continue assistance initiated by Fiscal Year 1975's A.I.D. Grant Number 263-11-003, Feasibility Studies. Its primary purpose is to finance GOE project feasibility and technical studies and to identify and prepare development projects for A.I.D. and other donor financing. The studies may assist to indirectly develop the GOE's capacity for development planning and project appraisal. The grant will fund some consultant services for certain implementation aspects of A.I.D.-financed capital projects and possibly, in cases receiving prior approval by A.I.D. in writing, relates commodity procurement needed to carry out technical consultancy services. A.I.D. intends to use a portion of the proposed grant to fund services for evaluation of projects as appropriate.

The following shows a list of studies currently identified by the GOE in consultation with USAID/Cairo for funding from the proposed \$8.0 million grant.

Activities Proposed to be Financed from the FY 76 Grant

<u>Title and Description</u>	<u>Estimated Cost</u> (thousands)
a) <u>Foodgrain and Vegetable Oil Storage and Distribution Facilities Study</u>	\$900.0
<p>A major study of existing and projected foodgrain and vegetable oil storage facilities. The study will be used as a basis for a proposed FY 77 project. Requests for proposals were sent to four prequalified firms in April 1976.</p>	
b) <u>Cairo and Alexandria Water Systems Study</u>	\$2,800.0
<p>Feasibility study of water supply systems as a priority projects and a master plan (through year 2000) for the stated development of water supply systems for greater Cairo and Alexandria. Contractor selection has commenced and 25 firms have asked for prequalification. The study may lead to definition of capital projects for possible financing. Scope of Work available in NE/CD (about 50 pages).</p>	
c) <u>Telecommunications Study</u>	\$900.0

A review and evaluation of the performance of the Egyptian telecommunication system; the development of a master plan for meeting the telecommunication needs for both the near term (5 years) and the longer term (15 years); and a program of remedial actions to improve the existing Cairo telecommunication network,

<u>Title and Description</u>	<u>Estimated Cost</u> (thousands)
making best use of the existing facilities.	
d) <u>Synthetic Material Production and DMT Study</u>	\$150.0
Feasibility study and preliminary design for the production of paraxylene and DMT, raw materials for the production of polyester fibres. The study will be used as a basis for a proposed FY 77 project.	
e) <u>National Energy Control Center Engineering Services</u>	\$750.0
Assistance to the Egyptian Electricity Authority in the implementation of a complex project involving real time computer control of power generation and dispatching on Egypt's 500 KV and 200KV unified power system. Consultant services include inspection of equipment during manufacture and installation and assistance in acceptance testing and commercial operation. Services are support of a project being funded by an A.I.D. loan in FY 76.	
f) <u>Synthetic Fiber Production (Misr Rayon Plant) Study</u>	\$150.0
A complete study of Misr Rayon's expansion and rehabilitation plans, its planning and management capability; its financial resources and activities; the economics of its existing and projected operations; the source, availability and cost of all raw materials; and the marketing and distribution of its textile products. Assuming a favorable study report, A.I.D. intends to finance a textile project at Misr Rayon in FY 1977	
g) <u>Suez City Water and Sewage Study</u>	\$400.0
Master planning through the year 210 for the staged development of water supply and sewer treatment systems for the City of Suez, including feasibility studies of high priority reconstruction projects compatible with master plans.	
h) <u>Water and Sewage: Management and Tariff Study</u>	\$1,050.0
The management study encompasses (A) the evaluation of the legislative and regulatory bases and internal studies of the water/sewage organization, (B) overall personnel requirements, (C) development of a management information system, (D) review of procurement and inventory procedures,	

(E) study of commercial practices regarding billing and collection and (f) assessment of the value of using data processing equipment.

The tariff study encompasses all work needed for the preparation of recommendation for separate rate schedules for potable water, non-potable water and sewage services.

i) Railway Wagon Manufacture \$200.0

A study to determine the feasibility of manufacturing a broad range of railway wagons both for domestic use and for export to neighboring countries.

j) Reserve for Miscellaneous Technical Assistance Studies and Contingencies \$700.0

TOTAL FY 76 Proposed Grant \$8,000.0

Most of the activities proposed to be financed are directly related to projects that A.I.D. has presented to Congress in its FY 1977 Congressional Presentation for obligation in that fiscal year. For many of them, consulting firms have been prequalified, proposals are being evaluated and studies are scheduled to begin immediately after the availability of funds from the proposed grant.

III. PROJECT IMPLEMENTATION

A. The Ministry of Economy and Economic Cooperation, (MEEC)

The GOE Ministry of Economy and Economic Cooperation (MEEC) is the GOE coordinating body for foreign assistance and for implementation of economic policy. It identifies and approves services to be financed with grant funds, and reviews study requests from other ministries. This Ministry will be responsible for this proposed grant. Current experience with A.I.D.'s FY 1975 Feasibility Studies grant indicates that the MEEC is fully capable of carrying out this responsibility in a satisfactory manner.

B. Implementation Procedures

Requests for studies or services will normally originate within a GOE ministry. They will subsequently be forwarded to A.I.D. through MEEC. After A.I.D.'s agreement in principal to grant finance the requested study or services, the requesting GOE organization will prepare a draft scope of work. Upon A.I.D. concurrence with the scope of work, contractual services will be obtained in accordance with either country contracting procedures in A.I.D. Handbook II, Chapter 7 or other applicable procedures. Participating Agency Service Agreements (PASA's) or task orders under existing direct A.I.D. contracts may also be utilized at the request of the MEEC. Contracts (other than PASA's and direct A.I.D. contracts which will be the exception) will be executed by the MEEC or its designated representative.

Where Egyptian currency is required to implement successfully activities financed under this project, we expect the GOE to utilize Egyptian pounds made available under A.I.D. grant 263-11-995-005, Local Cost Project Support, dated October 2, 1975. This will make a significant impact on the speed of securing required local support.

During negotiations we will request that approximately \$200,000 be set aside for unilateral use by A.I.D. to finance studies and services under A.I.D. direct contracts. The use of these funds will be reported to MEEC on a post-use basis.

C. Implementation Schedule

This grant is expected to be authorized in May 1976. Execution of an agreement is also expected to be in May 1976. Conditions precedent to disbursement should be met within 30 days of execution of the grant agreement. Initial disbursements are expected to occur by August 1976. The terminal date for disbursement will be two years from the date of execution of the grant agreement.

D. Eligible Services and Commodities

Services (and in some cases, commodities) of U.S. source and origin approved by A.I.D. and the MEEC in accordance with the procedures described above will be eligible for financing from the proceeds of this grant.

IV. COVENANTS AND CONDITIONS PRECEDENT

A. Covenants

The GOE will be required to covenant:

1. To make available to the MEEC on a timely basis any Egyptian currency necessary for successful execution of activities agreed-upon and financed under the grant.
2. To provide to consultants working in Egypt pursuant to the grant, all necessary secretarial services, office space and equipment, vehicles and drivers, and such other local logistic support as may be reasonably required to insure their effective utilization.
3. To exchange views frequently with A.I.D. concerning the performance by the Government of its obligations under this agreement, the performance of consultants, and all other relevant matters pertaining to the successful execution of the purposes of the grant.

B. Conditions Precedent

Before A.I.D. will disburse funds for eligible studies, the GOE will be required to fulfill satisfactorily the following conditions:

1. An opinion of the Egyptian Minister of Justice, or other legal counsel satisfactory to A.I.D., that the grant agreement has been duly authorized or ratified by, and executed on behalf of the GOE as a valid and legally binding obligation in accordance with all its terms.
2. The names of the persons who will act as the representatives of the GOE, together with evidence of their authority and the specimen signature of each.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

OFFICE OF
THE ADMINISTRATOR

GRANT AUTHORIZATION

Provided from: Foreign Assistance Act Section 532
("Security Supporting Assistance Funds")

Egypt: Technical and Feasibility Studies II

Pursuant to the authority vested in the Administrator, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, ("the Act"), and the delegations of authority issued thereunder, I hereby authorize the establishment of a grant ("the Grant"), pursuant to Part 2, Chapter 4, Section 532, Security Supporting Assistance Funds of said Act, to the Arab Republic of Egypt ("the Grantee"), of not to exceed Eight Million United States Dollars (\$8,000,000) to finance services for feasibility and technical studies, services to help implement Agency-financed capital projects, and such commodity procurement as may be necessary to effectively carry out such services.

The Grant shall be subject to the following terms and conditions:

1. Unless A.I.D. otherwise agrees in writing, goods and services financed under the Grant shall have their source and origin in the United States of America.
2. Grantee will provide on a timely basis all necessary local logistic support as may be required to insure effective utilization of services financed under the Grant.
3. Such other terms and conditions as A.I.D. may deem advisable.

Administrator

Date

CHECKLIST OF STATUTORY CRITERIA

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance Act of 1973.

App. - Foreign Assistance and Related Programs Appropriation Act, 1974.

MMA - Merchant Marine Act of 1936, as amended.

All Reference to a Loan or Loan Funds Shall Be Read to Mean Grant or Grant Funds.

COUNTRY PERFORMANCE

Treatment of U.S. Citizens and firms.

1. FAA § 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) a such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?
2. FAA § 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect or nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them, taking steps to discharge its obligations toward such citizens or entities?
3. FAA § 620(o). Fisherman's Protective Act § 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,

None of the known claims of any U.S. citizen asserted against the GOE meets the criteria of this section. In any event, Egypt has agreed to participate in a Joint Commission to consider debts of Egypt to U.S. citizens and will seek to negotiate settlement of such debts.

The Secretary of State has determined that Egypt's agreement to establish a Joint Commission to discuss compensation of American nationals constitutes taking appropriate steps for the purpose of this section.

No instance of any such seizure or imposition of such penalty or sanction is now known.

a. has any deduction required by Fishermen's Protective Act been made?

b. has complete denial of assistance been considered by A.I.D. Administrator?

a. Not Applicable.

b. Not Applicable.

Relations with U.S. Government and Other Nations

4. FAA § 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba.

No instance of any such present course of conduct is known.

5. FAA § 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?

The Secretary of State has determined that Egypt is not controlled by the international communist movement.

6. FAA § 620(f). Is recipient country a Communist country?

No.

7. FAA § 620(1). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

The President has not determined that the recipient country is involved in such conduct.

8. FAA § 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?

The President, in accordance with the requirement of section 620(j) has considered terminating assistance to Egypt and has determined that no sufficient reason exists not to furnish the assistance.

9. FAA § 620(1). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?

Egypt has reactivated its Investment Guaranty Agreement with the U.S.

10. FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?
11. FAA § 620(q). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?
12. FAA § 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?
13. FAA § 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 A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?
14. FAA § 431. Has the government of recipient country 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 the United States? U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

The recipient country is not known to be engaged in such a course of conduct.

No such default exists. Reconciliation is taking place between the books of AID and the Government of Egypt in regard to several very minor amounts. Egypt severed diplomatic relations with the U.S. in 1967. Diplomatic relations have now been resumed. New bilateral assistance agreements have been entered into since such resumption. Egypt has paid all of its outstanding U.N. obligations.

No.

15. FAA § 659. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?

There is no military base in Egypt within the definition of this section.

Military Expenditures

16. FAA § 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

The President has taken into account each of the listed considerations as to current military expenditures by the GAO and has determined that these do not inhibit economic aid to Egypt but rather that the projected program contributes to the underlying intent of the FAA which seeks to reduce arms costs and to stimulate economic development.

CONDITIONS OF THE LOAN

General Soundness

17. FAA § 611(a)(1). Prior to signing of loan will there be (a) an estimate of financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?
18. FAA § 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 the purpose of the loan.

The necessary plans and cost estimates are completed.

No further legislative action is required to implement the program than confirmation action pertaining to the signed loan agreement.

19. FAA § 611(e). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

The Grant is not for a capital project.

Loan's Relationship to Achievement of Country and Regional Goals

20. FAA § 601(a). 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.

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

21. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?

Egypt is not a newly independent country.

Loan's Effect on U.S. and A.I.D. Program

22. FAA § 601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The great majority of funds expended are for goods and services from private U.S. concerns.

23. FAA § 601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?
- The Grant is not for a capital project.
24. FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.
- Procurement of goods and services will be pursuant to established AID regulations.
25. FAA § 600(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?
- No.
26. FAA § 601. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.
- Technical assistance will be to the greatest practical extent from private enterprise on a contract basis.
27. FAA § 600. Will loan be used to finance police training or related program in recipient country?
- No.

No.

28. FAA § 1.4. Will loan be used to pay for performance of abortions or to motivate or coerce persons to practice abortions?

Yes.

29. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President?

Commodity procurement in bulk is not to be financed.

30. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price?

Yes.

31. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will the loan agreement require that marine insurance be placed in the United States on commodities financed by the loan?

32. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?

There will be no such procurement.

33. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of commodities.

Consideration will be given to the use of excess property when practical.

34. FAA § 1010, Ann. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?

No ~~water-related land resource~~ is to be financed.

35. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? No construction contracts will be financed.
36. FAA § 612(b); § 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 contractual and other services. The agreement will so provide.
37. Section 30 and 31 of PL 93-189 (FAA of 1973). Will any part of the loan be used to finance directly or indirectly military or paramilitary operations by the U.S. or by foreign forces in or over Laos, Cambodia, North Vietnam, South Vietnam, or Thailand? No.
38. Section 37 of PL 93-189 (FAA of 1973); App. § 111. Will any part of this loan be used to aid or assist generally or in the reconstruction of North Vietnam? No.
39. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release? Endeavor is being made for negotiation of an agreement for the release of U.S.-owned non-P.L. 480 pounds.
40. FAA § 6204. What provision is there to compensate owners for expropriated or nationalized property? The agreement will not permit such use.
41. FAA § 6206(a). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million? No.

214

42. FAA § 636(1). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction? No.
43. App. § 103. Will any loan funds be used to pay pensions, etc., for military personnel? No.
44. App. § 105. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms? Yes.
45. App. § 107. Will any loan funds be used to pay UN assessments? No.
46. App. § 108. Compliance with regulations on employment of U.S. and local personnel. (A.I.D. Regulation 7). Yes.
47. App. § 110. Will any of loan funds be used to carry out provisions of FAA § 209(d)? No.
48. App. § 112. Will any of the funds appropriated or local currencies generated as a result of AID assistance be used for support of police or prison construction and administration in South Vietnam or for support of police training of South Vietnamese? No.
49. App. § 113. Describe how the appropriate committees of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the Loan.

The committees have been notified 15 days in advance of obligation.

50. App. § 601. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by Congress?

No.

51. App. § 604. Will any of the funds appropriated for this project be used to furnish petroleum fuels produced in the continental United States to Southeast Asia for use by non-U.S. nationals?

No.

52. MMA § 901.b; FAA § 640C.
(a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

Yes.

DRAFT GRANT NO.

GRANT AGREEMENT
BETWEEN THE
UNITED STATES OF AMERICA
AND THE
ARAB REPUBLIC OF EGYPT
TECHNICAL AND FEASIBILITY STUDIES II

DATE:

25

TABLE OF CONTENTS

ARTICLE AND SECTION	TITLE	PAGE
ARTICLE I	<u>The Grant</u>	
Section 1.01 - Grant	.....	1
ARTICLE II	<u>Program</u>	
Section 2.01 - Program	.....	1
ARTICLE III	<u>Conditions Precedent</u>	
Section 3.01 - Conditions Precedent to Disbursement	.....	2
Section 3.02 - Additional Conditions Precedent	.....	3
Section 3.03 - Terminal Dates for Meeting Conditions Precedent to Disbursement	.....	3
Section 3.04 - Notification of Meeting of Conditions Precedent to Disbursement	.....	3
ARTICLE IV	<u>General Covenants and Warranties</u>	
Section 4.01 - A.I.D. Approvals	.....	4
Section 4.02 - Execution of the Program	.....	4
Section 4.03 - Continuing Consultation	.....	4
Section 4.04 - Taxation	.....	5
Section 4.05 - Maintenance and Audit of Records	.....	5
Section 4.06 - Reports	.....	6
Section 4.07 - Inspection and Audits	.....	6
Section 4.08 - Relation to Projects of Other Countries	.....	7
ARTICLE V	<u>Procurement</u>	
Section 5.01 - Procurement	.....	7
Section 5.02 - Eligibility Date	.....	7
Section 5.03 - Procedures	.....	7
ARTICLE VI	<u>Disbursements</u>	
Section 6.01 - Letters of Commitment to United States Banks	.....	7
Section 6.02 - Disbursements by A.I.D. on behalf of the Government	.....	8
Section 6.03 - Other Means of Disbursement	.....	8
Section 6.04 - Terminal Date for Requests for Letters of Commitment or PIO Documents	.....	9
Section 6.05 - Terminal Date for Disbursement	.....	9

ARTICLE III

Conditions Precedent

SECTION 3.01. Conditions Precedent to Disbursement.

Except as A.I.D. may otherwise agree in writing, prior to the initial disbursement hereunder, the Government shall furnish in form and substance satisfactory to A.I.D.

(a) An opinion of the Ministry of Justice of the Arab Republic of Egypt or of counsel acceptable to A.I.D. that this Agreement has been duly authorized or ratified by and executed on behalf of the Government and constitutes a valid and legally binding obligation of the Government in accordance with all of its terms;

(b) Evidence of the authority of the person or persons who will act as the representative or representatives of the Government specified in Section 8.02 and a specimen signature of each such person certified as to its authenticity by either the person who renders the legal opinion or the person who executes the Agreement;

(c) Such other information or documents as A.I.D. may reasonably request.

ARTICLE AND SECTION	TITLE	PAGE
ARTICLE VII	<u>Termination and Remedies of A.I.D.</u>	
Section 7.01	- Termination	9
Section 7.02	- Termination of Disbursement	10
Section 7.03	- Refunds	10
Section 7.04	- Non-Waivers or Remedies	11
Section 7.05	- Expenses of Collection	11
ARTICLE VIII	<u>Miscellaneous</u>	
Section 8.01	- Communications	11
Section 8.02	- Representatives	13
Section 8.03	- Implementation	13
Section 8.04	- Entry into Force	14

SECTION 3.02. Additional Conditions Precedent. Prior to disbursement of any amount for a particular contract financed hereunder, the Government 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 description of the proposed scope of work for the contract, including the commodities to be obtained, the estimate cost, the proposed contribution of the Government, and a designation of the implementing agency of the Government.

SECTION 3.03. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all the conditions specified in Section 3.01 shall not have been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D. at its option, may terminate this Agreement by giving written notice to the Government. Upon giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Government upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01 have been met.

29

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. A.I.D. Approvals. A.I.D. reserves the right to approve all consultants selected to perform services, and all contracts for services and amendments thereto financed under this Grant, prior to the execution of such contracts or amendments. A.I.D.'s approval of the foregoing shall not be unreasonably withheld.

SECTION 4.02. Execution of the Program. The Government shall ensure that the consultants provided for under this Agreement shall be provided all necessary secretarial services, office space and equipment, and such other logistic support as may be required to ensure the effective utilization of such consultants. The Government shall provide promptly as needed all funds in addition to those made available under the Grant needed for the effective carrying out of agreed-upon activities.

SECTION 4.03. Continuing Consultation. The Government and A.I.D. shall cooperate fully to ensure that the purpose of the Grant will be accomplished. To this end, the Government and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to progress under the Grant, the performance by the Government of its obligations under this Agreement, the performance of the consultants, and other matters relating to the Grant.

SECTION 4.04. Taxation. This Agreement shall be free from any taxation or fees imposed under the laws in effect within the country of the Government. As, and to the extent that any consultant financed hereunder, and any commodities or equipment relating to contracts with consultants are not exempt from identifiable taxes, tariffs, or duties and other levies imposed under laws in effect in the country of the Government, the Government, except as the Government and A.I.D. may otherwise agree, shall pay or reimburse the same under Section 7.03 of this Agreement with funds other than those provided under the Grant.

SECTION 4.05. Maintenance and Audit of Records. The Government shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating to this Agreement. Such books and records shall without limitation, be adequate to show:

(a) the nature and extent of services and commodities financed with funds disbursed pursuant to this Agreement;

(b) the basis of the award of contracts;

(c) the progress of the respective services financed hereunder. Such books and records shall be regularly audited,

in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D.

SECTION 4.06. Reports. The Government and A.I.D. shall furnish to each other such information and reports relating to the Grant and to the services and commodities financed hereunder as either party may reasonably request.

SECTION 4.07. Inspection and Audits

(a) A.I.D. or its authorized representative shall have the right at any time to observe operations carried out under this Agreement. A.I.D. shall, during the disbursement period of the Grant and within five years after completion of such disbursement period, further have the right to inspect and audit any reports and accounts with respect to funds provided by A.I.D., or with respect to contracts financed by A.I.D. under this Grant, wherever such records may be located and maintained.

(b) The Government shall insert, or cause to be inserted in all contracts financed hereunder a clause extending to A.I.D. the right to make inspections and audits in accordance with this section.

2/11

SECTION 4.08. Relation to Projects of Other Countries.

Except as A.I.D. may otherwise agree, services financed under the Grant shall not be used to promote or assist a foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

ARTICLE V

Procurement

SECTION 5.01. Procurement. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to Article VI shall be used exclusively to finance the procurement of services and commodities having both their source and origin in the United States.

SECTION 5.02. Eligibility Date. Except as A.I.D. may otherwise agree in writing, only services and commodities which are contracted for and received after the date of this Agreement will be financed under the Grant.

Procedures

Letters which will prescribe the procedures applicable in connection with the implementation of this Grant.

ARTICLE VI

Disbursements

SECTION 6.01. Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Government may, from time to time, request A.I.D. to issue

43

Letters of Commitment for specific amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to consultants through the use of Letters of Credit or otherwise, and for costs of services and commodities procured in accordance with the terms and conditions of this Agreement. Payment by a bank to a consultant will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Government and may be financed under the Grant.

SECTION 6.02. Disbursements by A.I.D. on Behalf of the Government

- (a) Upon satisfaction of conditions precedent, the Government, from time to time may, request A.I.D. to issue Project Implementation Orders ("PIO's") for activities hereunder in accordance with A.I.D. procedures. A.I.D. will, as provided in such PIO's make funds available from this Grant to pay directly the costs of furnishing services and commodities in connection with the Program.
- (b) Upon satisfaction of conditions precedent, A.I.D., from time to time may disburse funds available from this Grant, not to exceed the total aggregate amount of two hundred thousand United States Dollars (\$200,000), to pay directly the costs of furnishing services and commodities in connection with the Program. Reports of disbursements made pursuant to this subsection (b) shall be provided in accordance with requests made in accordance with Section 4.06 above.

SECTION 6.03. Other Forms of Disbursement. Disbursement of the Grant may also be made through such other means and by such other procedures as the Government and A.I.D. may agree in writing.

SECTION 6.04. Terminal Date for Requests for Letters of Commitment or PIO Documents. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment pursuant to Section 6.01, no PIOs pursuant to 6.02 or other commitment document which may be called for by another form of disbursement under Section 6.03, or amendment thereto, shall be issued in response to requests received by A.I.D. after December 31, 1977.

SECTION 6.05. Terminal Date for Disbursement. Except as A.I.D. and the Government may otherwise agree in writing, no disbursements shall be made against documentation received by A.I.D. or any bank described in Section 6.01 after June 30, 1978. A.I.D. at its option, may at any time or times after June 30, 1978, reduce the Grant by all or any part, thereof for which documentation was not received by such date.

ARTICLE VII

Terminations and Remedies of A.I.D.

SECTION 7.01. Termination. Either party may terminate its respective obligations under this Grant by giving written notice to the other party not less than sixty (60) days prior to the date specified for termination, provided, that in the event A.I.D. exercises its right hereunder, such termination shall not be effective as to payments which it is committed to make pursuant to non-cancellable commitments with respect to third party contracts.

25

SECTION 7.02. Termination of Disbursement. In the event that at any time:

(a) The Government shall fail to comply with any provision contained herein, or

(b) an event has occurred which A.I.D. determines to be an extraordinary situation which makes it improbable that the purposes of the Grant will be attained or that the Government will be able to perform its obligations hereunder; or

(c) any disbursement would be inconsistent with the legislation governing A.I.D.; or

(d) a default shall have occurred under any other agreement between the Government or any of its agencies and the United States or any of its agencies, then A.I.D. may decline (i) to make any further disbursements hereunder; or (ii) decline to make disbursements other than for outstanding commitments.

SECTION 7.03. Refunds. If A.I.D. determines that any disbursement is not supported by valid documentation in accordance with this Agreement or is in violation of the law governing A.I.D., or that the services financed under this Agreement are not financed or used in accordance with the terms of the Agreement, the Government shall pay to A.I.D. in U.S. dollars within thirty (30) days after receipt of a request therefor, an amount not to exceed the amount of such disbursement. Refunds paid by the Government to A.I.D. resulting from

violations of the terms of this Agreement shall be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement, and shall not, unless A.I.D. agrees otherwise in writing, be available for reuse under the Agreement. A.I.D.'s right to require such a refund shall continue for five (5) years following the date of such disbursement, notwithstanding the fact that A.I.D. may have invoked its right to terminate the Agreement.

SECTION 7.04. Non-Waiver of Remedies. No delay in exercising or omission to exercise, any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of such right, power, or remedy or any other right, power, or remedy hereunder.

SECTION 7.05. Expenses of Collection. All reasonable costs incurred by A.I.D. (other than salaries of its staff) in connection with the collection of refunds due under this Agreement may be charged to Government and reimbursed as A.I.D. may specify.

ANNEXURE I

Miscellaneous

SECTION 8.01. Communications. Any notice, requests, documents or other communication given, made or sent by the

Government to A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO GOVERNMENT:

Mail Address: Ministry of Economy and
Economic Cooperation
8 Adly Street
Cairo, Egypt

Cable Address: 8 Adly Street
Cairo, Egypt

TO A.I.D.:

Mail Address: A.I.D. Office
c/o U.S. Embassy
Cairo, Egypt

Cable Address: A.I.D.
U.S. Embassy
Cairo, Egypt

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 8.02. Representatives. For all purposes relative to this Agreement, the Government will be represented by the individual holding or acting in the office of the Minister of Economy and Economic Cooperation and A.I.D. will be represented by the individual holding or acting in the office of the A.I.D. Representative, Cairo, Egypt. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, the Government shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representative of the Government designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 8.03. Implementation. A.I.D. shall from time to time issue instructions that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 3.04. Entry into Force. This Agreement and Grant shall enter into force when signed by both parties hereto.

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

ARAB REPUBLIC OF EGYPT

By: _____

Name: _____

Title: _____

UNITED STATES OF AMERICA

By: _____

Name: _____

Title: _____