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UNCLASSIFIED

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

PROJECT PAPER

EGYPT: Private Sector Feasibility  
Studies (263-0112)

Date: December 30, 1985

UNCLASSIFIED

# Best Available Document

1. NAME OF DONOR AGENCY  
 U.S. Agency for International Development

2. RECIPIENT COUNTRY  
 Republic of Egypt

3. PROJECT NUMBER  
 263-0112

4. PROJECT TITLE  
 Private Sector Feasibility Studies

PDAAU-007

5. REGION  
 Asia and Near East

6. PROJECT ASSISTANCE COMPLETION DATE  
 MM DD YY (PACD)  
 11 12 81

7. ESTIMATED DATE OF OBLIGATION  
 (Under 27 CFR, parts 2, 2.3, or 4)  
 A. Initial: 11 91 B. Close: 11 91 C. Final: 11 81

### 8. COSTS (\$1000 OR EQUIVALENT \$)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	1. FY	C. LIC	B. Total	L. FY	F. LIC	G. Total
All Approved Total	4,914	86	5,000	7,689	311	8,000
(Grant)	(4,914)	(86)	(5,000)	(7,689)	(311)	(8,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other	( )	( )	( )	( )	( )	( )
U.S.	2					
Host Country						
Other Donor(s)		1,155	1,155			
<b>TOTALS</b>	<b>4,914</b>	<b>1,241</b>	<b>6,155</b>	<b>7,689</b>	<b>1,800</b>	<b>9,489</b>

### 9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF	730	840		5,000		3,000		8,000	
(2)									
(3)									
(4)									
<b>TOTALS</b>				<b>5,000</b>		<b>3,000</b>		<b>8,000</b>	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code  
 E. Amount

11. SECONDARY PURPOSE CODES

13. PROJECT PURPOSE (maximum 480 characters)

Create a program which will provide incentives to U.S. firms to carry out pre-investment feasibility studies.

14. SCHEDULED EVALUATIONS

Initial MM YY Final MM YY  
 11 81 11 81

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 3 of a 15 page P/A Amendment)

This amendment adds \$3 million to the project to allow uninterrupted submission and approval of reconnaissance visit and feasibility study applications by U.S. investors, and to provide financing for a number of supplementary promotional and administrative support efforts directly under the project.

Implementation plan and method of financing are included in this amendment.

Concurrence: *Terrence McMahon* Terrence McMahon, Controller

17. APPROVED BY

Signature: *Frank B. Kimball*

Title: Frank B. Kimball, Director, USAID/Cairo

Date Signed: MM DD YY  
 11 23 81

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W PURPOSES, DATE OF DISTRIBUTION

MM DD YY

AMENDMENT TO PROJECT AUTHORIZATION

Name of Country: Arab Republic of  
Egypt

Name of Project: Private Sector  
Feasibility Studies

Number of Project: 263-0112

1. Pursuant to Section 532 of the Foreign Assistance Act of 1961, as amended, the Private Sector Feasibility Studies Project for the Arab Republic of Egypt was authorized on September 20, 1979. That authorization is hereby amended as follows:

(a) The first paragraph of the authorization is amended by deleting "Five Million United States Dollars (\$5,000,000)" and by substituting "Eight Million United States Dollars (\$8,000,000)."

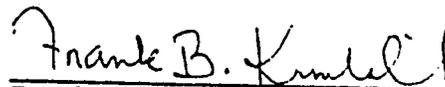
(b) The following sentence shall be added to the first paragraph, "The planned life of the Project is nine (9) years and three (3) months from the date of initial obligation."

(c) The Grant Agreement, as amended, shall contain covenants in substance as follows:

(i) The Project Director shall have the authority to make final decisions under the Project regarding the approval or disapproval of all reconnaissance visit applications, and disapproval authority for feasibility studies applications. In addition, the Director shall have the authority to approve the expenditure of Project funds for investment promotion and facilitation, public relations and the acquisition of administrative services, training and equipment.

(ii) The GAFI Project team responsible for evaluating investment profiles, reconnaissance visit applications and feasibility studies applications shall be composed of at least three members, including the Project Director.

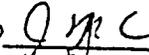
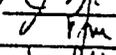
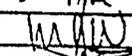
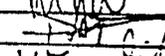
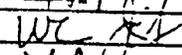
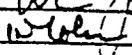
2. The authorization cited above remains in force except as amended hereby.

  
\_\_\_\_\_  
Frank B. Kimball, Director  
USAJD/Egypt

December 30, 1985

\_\_\_\_\_  
Date

CLEARANCES:

AD/DPPE:GLaudato		Date: 12/30/85
AD/FM:TJMcMahon		Date: 12/30/85
LEG: MJWilliams		Date: 11/4/85
AD/IS:DPressley		Date: 11/4/85
OD/FJ:JSuma		Date: 11/4/85
IS/FJ:WColes		Date: 11/2/85

August 14, 1985

MEMORANDUM

TO: AAD/DPPE, Mr. Jonathan Conly

19th 9:30 PM

FROM: IS/FI, Tom Kelly TK

THRU: OD/FI, Mr. James Watson (Acting) JW

1. The attached Project Paper, Private Sector Feasibility Studies (263-0112) has been reviewed by the Mission Project Review Committee. The Committee has approved the presentation and analysis contained in the document.
2. All issues and concerns requiring resolution have been taken.
3. Please schedule a review by the Executive Committee, o/a September 14, 1985.

<u>4. Project Review Committee:</u>	<u>Name/Office Symbol</u>	<u>Clearance</u>	<u>Date</u>
	W. Coles, IS/FI	<u>RBS</u>	<u>8/19/85</u>
	M. Williams, LEG	<u>MJW</u>	<u>8/17/85</u>
	Y. Abdel-Khalick, FM/FA	<u>YK</u>	<u>8/15/85</u>
	P. Crowe, DPPE/PAAD	<u>TK</u>	<u>8/14/85</u>
	D. DuLavey, DPPE/PO	<u>dell</u>	<u>8/28/85</u>
	<u>D. Carr</u> , DPPE/PAAD	<u>DWC</u>	<u>8/28/85</u>
5. Associate Director/IS	D. Pressley	<u>DP</u>	<u>8/19/85</u>
6. Date of Committee meeting _____			

EGYPT: PRIVATE SECTOR FEASIBILITY STUDIES (263-0112)

PROJECT PAPER AMENDMENT

TABLE OF CONTENTS

	<u>Page</u>
Summary and Recommendations .....	i
I. Project Background .....	1
II. Activities Analysis .....	4
III. Project Evaluation Synopsis .....	7
IV. Project Modifications .....	9
V. Implementation Plan .....	12
VI. Covenants .....	13
VII. Financial Plan .....	14

ANNEXES

- A. Revised Logical Framework
- B. Amendment to Project Authorization
- C. GOE Contribution
- D. List of Project Activities
- E. Statutory Checklist
- F. List of Investors to IS/FS (3/12/85 to 5/24/85)
- G. Beatrice Foods Case
- H. Proposed GAFI Budget

SUMMARY AND RECOMMENDATIONS

1. Grantee: The Government of The Arab Republic of Egypt.
2. Implementing Entity: General Authority for Investment and Free Zones.
3. Amount: \$3 million to increase life of project funding to \$8 million from \$5 million.
4. Terms and Source: This grant is to be funded from Economic Support Funds in FY 1986.
5. Project Goal: To increase the flow of private U.S. investment to Egypt.
6. Project Purpose: To create a program which will provide incentives to U.S. firms to carry-out pre-investment Feasibility Studies.
7. Purpose of the Project Paper Amendment: The original project provided for AID funding, on a cost-sharing basis, of: Reconnaissance Visits and preparation of Feasibility Studies by potential U.S. investors, plus ten sectoral studies; training; and development of program operating procedures by a U.S. consulting firm. This amendment provides for: (a) increase of funding by \$3 million, (b) extension of PACD to 12/31/88 from 12/31/85, and (c) improvements to better attain the original project purpose.
8. Recommendations:
  - a. Authorization of an LOP grant add-on of \$3 million;
  - b. Obligation of \$3 million in early FY 1986; and
  - c. Extension of the PACD by 3 years to 12/31/88 from 12/31/85.
9. USAID Project Committee:

W. Coles, IS/FI:	Chairperson
T. Tifft, AID/W:	NE/PD/EGYPT
T. Kelly, IS/FI:	PDO
P. Crowe, DPPE/PAAD:	Economist
M. Williams, LEG:	Counsel
Y. Abdel-Khalick, FM/FA:	Controller
D. DuLavey, DPPE/PO:	PDO

## 1. PROJECT BACKGROUND

A. Project Summary: The Private Sector Feasibility Studies Project (PSFS) was developed during 1979 as a tool to stimulate U.S. private sector investment in Egypt. The need for this type of project was identified in the Humphrey Amendment to the FY 1978 Foreign Assistance Act. As a result, the project was intended to be one of several AID-financed activities managed on a collaborative and integrated basis to stimulate growth and modernization of the Egyptian private sector.

PSFS was designed to: (1) finance, on a cost-sharing basis, Reconnaissance Visits and Feasibility Studies conducted by U.S. investors in Egypt; (2) provide ten sectoral studies describing selected industries in Egypt, furnishing information and targets of investment opportunity for U.S. investors; and (3) establish the policy and procedural framework for administering and implementing an investment promotion program.

Other AID private sector activities related to this objective are:

- Private Investment Encouragement Fund
- Production Credit
- International Executive Service Corps
- U.S. Investment Promotion Office
- Business Support and Investment Project

An effort will be made to integrate these programs in order to bring about policy reform, where possible, and enhance efficiency in stimulating private sector investment. A more integrated approach will partially preclude situations where Feasibility Studies are undertaken, but projects cannot be realized due to a lack of available financing. This approach will also help avoid situations where credit decisions are made with projects implemented in the absence of thorough Feasibility Studies, often resulting in costly overruns, overcapacity and inappropriate equipment installation. In short, linking these private sector programs will help contribute to the more rational development of the Egyptian private sector.

B. Implementation Progress: A professional services contract was executed with Chase World Information Service during March of 1981. Execution was one year behind schedule and resulted in an initial delay in implementation. The Chase team, in collaboration with the General Authority for Investment and Free Zones (GAFI), developed the procedural framework for administering and implementing the Feasibility Studies program during the period of March 1981 to February 1982. During February 1982, a "Procedures Manual for Reimbursement Programs" was issued, and U.S. firms were subsequently invited to participate in the program. A year later, Chase completed the ten sectoral studies. Upon finalizing the sectoral studies, Chase initiated an aggressive campaign to promote the PSFS program in the U.S. This included: mass mailings of information about the program to 4,500 companies, the mailing of the sectoral studies to 365 companies, and promotional seminars conducted in several U.S. cities.

During the same period, GAFI established an "Office of Feasibility Studies." This office was staffed with a senior professional, (the director) and two junior professionals, who worked with the Chase team in developing the PSFS program and the sectoral studies. The Chase contract terminated in December 1982, whereupon GAFI's Office of Feasibility Studies assumed responsibility for all project implementation.

By December of 1983, it became clear that Chase's massive promotional campaign was not going to result in the expected number of serious applicants (i.e., those who possessed the technical and financial resources necessary to move from the feasibility stage to project implementation). Events also proved that the promotional effort was premature as well as untargeted. Implementation experience identified major structural deficiencies in the design of the system as set out in the "Procedures Manual." This caused delays in processing; disputes between applicants, GAFI and USAID; and excessive time interpreting procedures in terms of standard USAID and GOE regulations. As a result, USAID and GAFI concluded that major modifications and a restructuring of the procedures were required. It was further decided that this would be undertaken in-house using USAID and GAFI staff.

In January 1984, USAID and GAFI agreed that further promotional activities should be suspended until: the PSFS procedures had been modified, restructured and tested; other supportive programs such as the U.S. Investment Promotion Office (USIPO), AID credit programs and IESC had become more advanced; and a targeted promotional strategy was developed. It was further agreed that, while no promotional effort would be undertaken during this period, the PSFS Program would accept and process applications received from investors in response to in-house promotion, etc.

By July of 1984, draft modifications and restructuring were ready for review and refinement. There were essentially two products: an application package for "Reconnaissance Visits" and one for "Feasibility Studies." Each package contains the eligibility requirements for the program and a step-by-step manual that guides the investor through: the preparation of the application, the development of a Project Profile (if applicable), the design of a plan of work with an appropriate budget, the signing of a contractual agreement and the procedure for reimbursement. It also provides the information and data required, if the project is found feasible, to successfully move through the Law 43 application process to the initial investment/start-up phase.

On August 4, 1984, it was agreed that while the new packages were in draft form, they would be offered to potential investors on a test basis and would replace the original "Procedures Manual for Reimbursement." The packages were offered to other USAID and GAFI staff, as well as the Overseas Private Investment Corporation for review, suggestions and recommendations. During the period of August 1984 to March 1985, these draft packages were used to process and approve investor applications. Based on this extensive test effort, each package was further modified and refined during April 1985. The final version of each package was completed on May 9, 1985.

C. Lessons Learned: Implementation experience has provided some important lessons. The massive promotional effort initiated by Chase, for example, had limited results. While it created considerable interest, it was not sufficiently tailored to specific companies (or projects) to convince them to seriously consider Egypt as an investment opportunity. The focus of promotion

was directed at broad economic sub-sectors such as integrated agri-business, production of livestock, construction materials, the chemical industry, etc. The program was heavily government-controlled and, more significantly, did not attempt to link specific Egyptian private sector investors with U.S. investors in the same line of business. The program lacked the personal touch to convince investors to "come and take a look." The whole thrust of this effort failed in recognizing that Egypt is in competition with many other countries in trying to attract foreign investors, and that investment flows only to those who best articulate the promotion effort coupling it with aggressive and personal follow-up. Since Egypt is in many ways harder to sell from an investment standpoint than many competing countries, it is vitally important that Egypt mount an effective targeted effort utilizing available resources to promote private sector opportunities.

The timing of project inputs proved to be important to the success of the project, as well. Active promotion of the project should have followed, not preceded, the establishment of functioning administrative and policy procedures, and the completion of the sectoral studies.

Another lesson was that the time frame for completing investments was unrealistic in the project design. The investment process is typically four to five years in length depending on the type of investment being considered.

## II. ACTIVITIES ANALYSIS

This project has proven to be reasonably successful so far: three U.S. investors who have used the program are now proceeding to establish Law 43 companies. These three companies are:

1. Beatrice Foods Co., of Chicago, Illinois, which will establish a joint venture to manufacture processed meats, such as frankfurters, bolognas, meat loaf, etc., made from beef and chicken. Investment cost is estimated, for Phase I, at about \$14 million, of which 65% will be equity. The company plans to employ 260 persons (see Annex G for description of Beatrice Foods investment).

2. Alliance Foods, Inc., of Coldwater, Michigan, which will establish an "umbrella" food processing and distribution company, with activities in several areas. This is expected to be a \$7 million investment of which 40% will be equity.

3. VIRCO Marine, of Chevy Chase, Maryland, which will establish a joint venture to provide refrigerated transportation services to move imported frozen food from the port cities to Cairo and elsewhere. Total investment is estimated at \$21 million of which approximately one-half will be equity. The company will employ 240 persons.

Presently, eleven Feasibility Studies have been completed and reimbursed. Of these eleven potential investors, six have decided against proceeding further. The three named above have approval for Law 43 companies and are proceeding to invest in Egypt. For these ten investors, the project was highly beneficial: it accelerated their decisions to invest or not to invest.

Under the Reconnaissance Visit program, eight companies have completed visits. Of these, four companies have decided against investing, and four have or will submit applications for Feasibility Studies. A summary of project activities is given below, and details of completed activities are contained in Annex D.

Status of Project Activities  
(As of August 11, 1985)

<u>Status</u>	<u>Recon Visits</u>	<u>Feas. Stud.</u>	<u>Total</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Approved:			
Completed	8	10	18
Underway	-	5	5
Yet to Start	6	1	7
Cancelled/Withdrawn	<u>4</u>	<u>11</u>	<u>15</u>
	18	27	45
Under Review	1	5	6
Disapproved	<u>21</u>	<u>28</u>	<u>49</u>
Total Applications	40	60	100

The largest number of applications received for both Reconnaissance Visits and Feasibility Studies took place during 1982, the program's first year. This relatively high level of interest was likely caused by Chase's promotional efforts. During this time, as well, a large number of consulting companies applied for funds, instead of bona fide investors. In 1983 and 1984, there was an apparent reduction in interest in the program, but in 1985, renewed interest was seen.

Applications Submitted  
(As of August 11, 1985)

	<u>Recon. Visits</u>	<u>Feasibility Studies</u>	<u>Total</u>
1982	19	24	43
1983	5	19	24
1984	8	7	15
thru 8/11/85	<u>8</u>	<u>10</u>	<u>18</u>
<u>Total</u>	40	60	100

Perhaps of more importance than the quantitative aspect of investor interest is the qualitative aspect. The quality of U.S. companies investigating potential investment in Egypt has improved (see Annex F for a list of companies visiting IS/FI to discuss PSFS during March through May 1985).

Disbursements have been proceeding at a reasonable pace, given the relatively long lead time necessary to move from initial application to completion of a Feasibility Study. As of July 31, 1985 approximately one-half of the funds available under the project have been disbursed as per the table below. However, approximately \$574,986 (see figures with asterisk in Annex D) of the \$1,044,692 in Feasibility Study and Reconnaissance Visit activities, planned or underway as of August 11, 1985 (again see Annex D; \$1,044,692 is total of I-B and II-B), are not reflected in the table, as these funds have not as yet been earmarked. Thus, of the \$1,845,159 (\$5,000,000 - \$3,154,841) in unearmarked funds (see table below), only \$1,270,173 (\$1,845,159 - \$574,986) remain unplanned as of July 31, 1985. This amount, however, is insufficient to cover the increased activity envisaged under the modified project. Funds are not only needed to allow uninterrupted submission and approval of Feasibility Study applications by U.S. investors, but also to provide financing for a number of supplementary activities such as: a targeted promotion program, the preparation of Investment Profiles, Reconnaissance Visits to the U.S. by Egyptian investors, and investment promotion assistance to the project provided by groups such as IESC, USIPO and others.

The targeted promotion program, to be mounted in FY 1986 under the amended PSFS program, is expected to substantially increase the amount of requests for Feasibility Studies and Reconnaissance Visits at rates of about one and two per month, respectively. Assuming the leftover \$1,270,173 would be used to fund Feasibility Studies and Reconnaissance Visits, only eleven Feasibility Studies and thirty-four Reconnaissance Visits could be undertaken. Funding for approximately seventeen additional Feasibility Studies and fifty-one Reconnaissance Visits would therefore be required at the above rates. (Experience to-date shows that costs of completed Feasibility Studies averaged nearly \$100,000 each, with Reconnaissance Visits averaging close to \$5,000, compared to initial estimates of \$150,000 and \$5,000, respectively.)

Status of Disbursements  
(As of 7/31/85)

	<u>Obligated*</u>	<u>Earmarked</u>	<u>Committed</u>	<u>Expended</u>
1. Technical Assistance/ Sectoral Studies	\$1,800,000	\$1,706,213	\$1,706,213	\$1,543,842
2. Reconnaissance Surveys	300,000	67,209	27,744	23,366
3. Feasibility Studies	<u>2,900,000</u>	<u>1,381,419</u>	<u>945,178</u>	<u>945,178</u>
<u>Total</u>	\$5,000,000	\$3,154,841	\$2,679,135	\$2,512,386

\*Obligated amounts reflect budget revisions per PSFS PIL No. 49

11

### III. PROJECT EVALUATION SYNOPSIS

A project evaluation for the period of September 1979 to November 1984 was conducted in November 1984 by Peat, Marwick, Hassan & Company (PMH). The evaluation team reviewed all available materials related to the project, met with GAFI and USAID/Cairo officials, and conducted extensive personal interviews of the business community both in Egypt and in the U.S. Additionally, the team developed and distributed a comprehensive questionnaire to recipients of the PSFS sector studies developed by the Chase team.

PMH supported many of the observations previously made by USAID/Cairo staff and others concerning project deficiencies and ways to improve the project. Major conclusions of the evaluation report are described below.

Firstly, the promotional campaign initiated by Chase was not very effective in attracting serious U.S. investors to the program. Subsequent observers felt that the approach was too general, and not properly organized or targeted, thereby encouraging applicants who were not equipped technically or financially to proceed past the feasibility stage into the investment stage. Many of the applicants applying earlier in the program had been consulting firms, not manufacturing or operating companies.

Secondly, PSFS was highly-publicized in the U.S. prior to the completion of the sectoral studies and application procedures for Reconnaissance Visits and Feasibility Studies. This created confusion among applicant firms, the commercial section of the Egyptian Embassy in Washington and PSFS staff in Cairo. The application approval process also proved too slow for many reasons.

Finally, PMH felt that the ten sectoral studies developed by Chase in 1982, at a cost of over \$1 million, have proven to be of questionable value. Principal recommendations by PMH to improve the PSFS program included:

1. Forming an advisory board to coordinate all USAID/Cairo private sector activities. This board would be responsible for giving guidance, for ensuring the smooth operation of the program, and for program evaluation (Status: Underway);
2. Using project funds to hire Egyptian professionals on a part-time basis to solve structural and/or technical problems, which may surface during program operation (Status: Under consideration);
3. Granting the project director the authority to make final decisions regarding:
  - a. Approval or disapproval of all Reconnaissance Visit applications; and
  - b. Disapproval of unqualified Feasibility Study applications - (Status: Incorporated as a covenant);
4. Granting the project director the final authority to spend funds for promotion, public relations, and for the acquisition of administrative services and equipment (Status: Incorporated as a covenant);

5. Adding one more employee to the GAFI PSFS office (Status: Underway);
6. Clarifying responsibilities within GAFI, and between GAFI and the commercial section of the Egyptian Embassy concerning the project (Status: Completed);
7. Providing Feasibility Study results to other investors should the previous applicant not move forward towards investment after one year's time (Status: In place, but subject to GAFI approval on a case-by-case basis);
8. Providing academic training courses for members of GAFI's staff, who are attached to the project (Status: Underway);
9. Having the project director attend meetings of GAFI's technical committee to speed-up the decision-making process (Status: Under consideration); and
10. Appointing a competent bilingual secretary to assist GAFI's PSFS staff (Status: Under consideration).

Overall, the evaluation team determined that most of the U.S. applicants for Reconnaissance Visits and Feasibility Studies felt that the PSFS program was effective in prompting them to look into investment opportunities in Egypt. Based on conversations with these applicants, and with Egyptian and U.S. officials, the evaluation team strongly recommended extension of the PSFS program.

5. Future demand estimates for the product (or service); and
6. A description of the regulatory environment in Egypt.

IPs would typically be prepared by: the U.S. Investment Promotion Office (USIPO), for its own use in contacting potential U.S. investors; AID/GAFI, with the help of Egyptian consultants and/or GAFI staff; or Egyptian investors, with the assistance of investment banks, their own banks or other organizations such as IESC. Investment Profiles would then become the basis for targeted promotional campaigns undertaken in the U.S.

USIPC would use IPs during promotional campaigns to the U.S. AID and GAFI might want to commission preparation of Investment Profiles by Egyptian consultants for similar promotional activities both in the U.S. and in Egypt. An Egyptian investor/entrepreneur, on the other hand, might determine that there is a market in Egypt and outside of Egypt for a product such as irrigation pipe, for example. The investor would prepare an Investment Profile, with the help of an investment banker, describing the proposal, whereupon it would be sent to GAFI for review and some type of approval. GAFI's preliminary approval for the proposed investment would thus aid in assuring that the investment is indeed one for which the Egyptian government will grant final approval at a later date, thereby lessening the possibility that a U.S. firm would proceed ahead with a Feasibility Study, only to have it disapproved later on.

Egyptian Reconnaissance Visits to the U.S.: Following approval of the Investment Profile by GAFI, the Egyptian investor would seek assistance from his bank, USIPO, IESC, or similar organizations to identify U.S. companies, which are in the investor's line of business, and interested in Egypt. The investor would then apply to GAFI for a Reconnaissance Visit to the U.S., specifying the U.S. firms to be visited. Upon approval, he would take his proposal to these previously-selected U.S. firms in an attempt to convince one of them to come to Egypt on a Reconnaissance Visit, to evaluate the potential investment. It is hoped that, upon completion of the Reconnaissance Visit to Egypt, the U.S. firm would then apply to do a Feasibility Study, which, if approved, would lead to a Law 43 application.

Streamlining of Application Procedures through Assistance to GAFI: A final program modification calls for the streamlining of PSFS application procedures including additional assistance to GAFI.

It should be noted that the above will be subject to modification and adjustment derived from operational requirements and experience.

1. Having the Joint Committee approve all Investment Profiles before the U.S. investor is even contacted concerning investment;
2. Granting the project director the authority to make final decisions regarding: approval or disapproval of all Reconnaissance Visit applications, and disapproval of unqualified Feasibility Study applications;
3. Adding additional employees to the GAFI PSFS staff;

4. Granting the project director the final authority to spend funds for promotion, public relations, and for the acquisition of administrative services and equipment;
5. Installing an international telephone line in the GAFI PSFS office to provide GAFI with a direct communications link to U.S. companies; and
6. Having the project director attend meetings of GAFI's technical committee to speed-up the decision-making process.

15

V. IMPLEMENTATION PLAN

A. Implementation Schedule: A grant amendment add-on totaling \$3 million is planned for obligation in FY 1986. Additional funding is required to allow uninterrupted submission and approval of Reconnaissance Visit and Feasibility Study applications by U.S. investors, and to provide financing for a number of supplementary promotional and administrative support efforts directly under the project.

Modifications to the on-going PSFS project include: introducing Investment Profiles as tools in the promotional campaign, expanding the program to encourage Egyptian investors to prepare Investment Profiles and make Reconnaissance Visits to the U.S., more carefully targeting the promotional effort, and streamlining the approval process. Efforts will be made to identify, specifically, reasons for non-investment.

A set of specific guidelines for the preparation of Project Profiles will be drawn-up following approval of the PP amendment, as will guidelines governing Reconnaissance Visits to the U.S. by Egyptian investors. The targeted promotion program, presently in a preliminary planning stage, will be completed following approval of the amendment. The PACD presently set at 12/31/85 will be extended to 12/31/88. Correspondingly, the TDD of 9/30/86 will be extended to 9/30/89.

B. Method of Payment:

1. Investment Profiles: Payment for Investment Profiles prepared by Egyptian investors will be made by purchase order, if at all possible, in Egyptian pounds or dollars as appropriate. Local currency will be purchased in line with Mission guidelines. The amount of payment for individual Investment Profiles will be determined.

2. Reconnaissance Visits: Reimbursement for Reconnaissance Visits made by U.S. firms will remain the same as per the project paper, with no modification. Reconnaissance visits made by Egyptian nationals to the U.S. will be paid in one lump-sum upon completion of the visit and the submission of a final report. However, an advance may be provided in certain cases.

3. Feasibility Studies: Reimbursement for Feasibility Studies done by U.S. firms will remain the same as per the project paper, with no modification.

C. Project Evaluation: The first evaluation of the PSFS Project, conducted in November 1984, formed the basis for project revisions in FY 1985. A second evaluation is planned for November 1988.

IS/FI and DPPE/PE will formulate a new evaluation plan for the remainder of the project's life. An essential element of this evaluation will be a review of the reasons firms using the project's services chose to invest or not to invest in Egypt. Particular attention will be paid to identifying those conditions of the business climate in Egypt which influenced firms' decisions.

VI. COVENANTS

The Grant Agreement Amendment shall contain covenants in substance as follows:

1. The PSFS project director shall have the authority to make final decisions under the project regarding:

- a. Approval or disapproval of all Reconnaissance Visit applications; and
- b. Disapproval of unqualified Feasibility Study applications;

2. The GAFI PSFS team, responsible for evaluation of Investment Profiles, and Reconnaissance Visit and Feasibility Study applications, shall be composed of at least three members, including the project director, for the duration of the project; and

3. The PSFS project director shall have the authority to spend project funds for investment promotion and facilitation, public relations, and for the acquisition of administrative services, training and equipment under the project.

VII. FINANCIAL PLAN

A. Source of Funds: The grant originally provided \$5 million. The GOE contributed staff facilities and staff valued at about \$1.1 million or L.E. 308,000, for a total project cost of \$6.1 million. The GOE contribution amounted to approximately 18 percent of the total project cost. The proposed add-on will provide an additional \$3 million for project continuation through FY 88. The GOE contribution will increase by the equivalent of \$334,000 for in-kind, local currency costs. Approximately \$2 million of this add-on are targeted for direct reimbursement to U.S. operating companies.

B. Application of Funds: The table on the next page provides a breakdown of total project costs by source and projected expenditure. The original PSFS budget was revised to bring it in line with USAID/Cairo's Mission Accounting and Control System (MACS), per PSFS PIL No. 49. Since approval of the PIL was given, the revised budget is provided. Budget line items may be augmented by 15%, subject to written approval by the AID PSFS Project Officer, without the need for an amendment to the project paper. Please see the next page for a break-down of the \$3 million add-on.

Illustrative Financial Plan  
(\$000s)

	<u>Original Budget</u> (per ProAg as amended per PSFS PIL No. 49)			<u>Add-on</u>			<u>Project Total</u>
	<u>FX</u>	<u>LC</u>	<u>Total</u>	<u>FX</u>	<u>LC</u>	<u>Total</u>	
<u>Technical Assistance/ Sectoral Studies</u>	1,714 <u>1/</u>	86 <u>2/</u>	1,800	30	—	30	1,830
<u>Reconnaissance Visits</u>	300	—	300	343 <u>4/</u>	—	343	643
<u>Feasibility Studies</u>	2,900	—	2,900	1,700 <u>5/</u>	—	1,700	4,600
<u>Proposed GAFI Budget</u>	—	—	—	172 <u>3/</u>	225	397	397
<u>Investment Promotion</u>	—	—	—	150 <u>7/</u>	—	150	150
<u>Project Profiles</u>	—	—	—	180 <u>6/</u>	—	180	180
<u>Evaluation &amp; Audits</u>	—	—	—	200	—	200	200
<u>Total</u>	\$4,914	\$86	\$5,000	\$2,775	\$225	\$3,000	\$8,000

- 1/ Includes training of \$105,000  
2/ Includes commodities of approx. \$45,000  
3/ Includes training of \$75,000 and commodities of approx. \$23,000 (see Annex II)  
4/ Includes \$88,000 (40 Visits @ \$2,200 per Visit) for Recon. Visits to U.S. by Egyptians and \$255,000 (51 Visits @ \$5,000 per Visit) for Recon. Visits to Egypt by U.S. companies  
5/ 17 Studies @ \$100,000 per Study  
6/ 120 Profiles @ \$1,500 per Profile (average cost)  
7/ Cost of investment promotion seminars held in the U.S. and Egypt, travel by investment promoters to the U.S., including promotional assistance by IESC and others, etc.

ANNEX A

Project Design Summary

Logical Framework

Life of Project:

From FY 79 to FY 88  
 Total U.S. Funding 38 Million  
 Date Prepared: 6/10/83

Project Title & Number: Private Sector Feasibility Studies (263-0112)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p>	<p>Measures of Goal Achievement:</p>	<p>Assumptions for achieving goal targets:</p>	
<p>Increased flow of U.S. private investment to Egypt.</p>	<ol style="list-style-type: none"> <li>1. Increased U.S./Egyptian joint ventures.</li> <li>2. Increased % of GNP attributable to private sector.</li> </ol>	<ol style="list-style-type: none"> <li>1. Central Bank statistics.</li> <li>2. GAPI statistics.</li> <li>3. Tax records.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reasonable amounts of FX available at reasonable rates.</li> <li>2. Potentially profitable investment situations exist and environment conducive to investment.</li> <li>3. Procedures and bureaucratic processes do not act as constraints.</li> <li>4. Decision-making will be efficient.</li> </ol>
<p>Project Purpose:</p>	<p>Conditions that will indicate purpose has been achieved: End of Project Status:</p>	<p>Assumptions for achieving purpose:</p>	
<p>Create a mechanism which will provide incentive for, and expedite carrying out of pre-investment Feasibility Studies.</p>	<ol style="list-style-type: none"> <li>1. U.S. companies' decision to invest based on Feasibility Studies.</li> <li>2. Private investment in selected sectors increased.</li> <li>3. Egyptian staff systems and organization fully functional.</li> <li>4. Non-proprietary information able to be provided to interested investors on investment possibilities.</li> </ol>	<ol style="list-style-type: none"> <li>1. First evaluation completed 11/84; second evaluation due 11/88.</li> <li>2. Number of companies visiting Investment Authority.</li> <li>3. Examination of Investment Authority files.</li> <li>4. Applicant companies' final reports.</li> </ol>	<ol style="list-style-type: none"> <li>1. Desire to invest in Egypt exists.</li> <li>2. Feasibility Study costs are disincentive to U.S. investment in Egypt.</li> <li>3. Criteria for study acceptable to private U.S. parties and GOR can be developed.</li> <li>4. Egyptian decision-making can be expedited.</li> <li>5. Private investment supportive policy and enabling legislation functioning.</li> </ol>

Project Title & Number: Private Sector Feasibility Studies (263-0112)

A-2

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																		
<p><b>Outputs:</b></p> <ol style="list-style-type: none"> <li>1. Definition of sectors where investment will most benefit economy.</li> <li>2. Pre-Feasibility and Feasibility Studies completed in identified sectors.</li> <li>3. GOE staff and systems qualified to administer study fund.</li> <li>4. Linkage between Investment Authority and private banks, USIPO and IESC established.</li> <li>5. Reconnaissance Surveys by U.S. businessmen and/or Egyptian entrepreneurs occurring on a regular basis.</li> </ol>	<p><b>Magnitude of Outputs:</b></p> <ol style="list-style-type: none"> <li>1. 100 Reconnaissance Visits carried out.</li> <li>2. 10 Sectoral Studies completed</li> <li>3. 120 Investment Profiles completed</li> <li>4. 50 Feasibility Studies completed</li> <li>5. 15 Feasibility Studies resulting in investment.</li> <li>6. 9 Egyptian professionals trained.</li> </ol>	<ol style="list-style-type: none"> <li>1. Records examination.</li> <li>2. GAFI statistics.</li> <li>3. Interviews.</li> </ol>	<p><b>Assumptions for achieving outputs:</b></p> <ol style="list-style-type: none"> <li>1. Data can be assembled in a timely fashion.</li> <li>2. Egyptian staff and budget will be available to administer program.</li> <li>3. OFIC guarantee program remains in effect.</li> </ol>																		
<p><b>Inputs:</b></p> <table border="0"> <tr> <td></td> <td style="text-align: right;">U.S. (\$'000s)</td> </tr> <tr> <td>TA/Sect. Studies</td> <td style="text-align: right;">\$1,830</td> </tr> <tr> <td>Reconnaissance Visits</td> <td style="text-align: right;">643</td> </tr> <tr> <td>Feasibility Studies</td> <td style="text-align: right;">4,600</td> </tr> <tr> <td>Proposed GAFI Budget</td> <td style="text-align: right;">397</td> </tr> <tr> <td>Invest. Promotion</td> <td style="text-align: right;">150</td> </tr> <tr> <td>Invest. Profiles</td> <td style="text-align: right;">180</td> </tr> <tr> <td>Eval. &amp; Audits</td> <td style="text-align: right;">200</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>\$8,000</b></td> </tr> </table>		U.S. (\$'000s)	TA/Sect. Studies	\$1,830	Reconnaissance Visits	643	Feasibility Studies	4,600	Proposed GAFI Budget	397	Invest. Promotion	150	Invest. Profiles	180	Eval. & Audits	200	<b>Total</b>	<b>\$8,000</b>	<p><b>Implementation Target (Type and Quantity):</b></p>	<ol style="list-style-type: none"> <li>1. Controller records.</li> <li>2. Applicant companies' records.</li> <li>3. Audits.</li> </ol>	<p><b>Assumptions for providing inputs:</b></p> <p>GOE budget availability.</p>
	U.S. (\$'000s)																				
TA/Sect. Studies	\$1,830																				
Reconnaissance Visits	643																				
Feasibility Studies	4,600																				
Proposed GAFI Budget	397																				
Invest. Promotion	150																				
Invest. Profiles	180																				
Eval. & Audits	200																				
<b>Total</b>	<b>\$8,000</b>																				

21

ANNEX B

Amendment to Project Authorization

Name of Country: Arab Republic of Egypt  
Project Name: Private Sector Feasibility Studies  
Project Number: 263-0112

1. Pursuant to Part II, Chapter 4, Section 532 of the Foreign Assistance Act of 1961, as amended ("Act"), the Private Sector Feasibility Studies Project was authorized on 9/22/79. The authorization is hereby amended in accordance with the authority vested in me by Redelelegation of Authority No. 113.8 as follows:

a. In paragraph 1, the phrase "Five Million United States Dollars (\$5,000,000) is replaced by "Eight Million United States Dollars (\$8,000,000).

b. The following sentence is added to paragraph 1: "The planned life of the project is nine years and three months from the date of initial obligation."

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

\_\_\_\_\_  
Frank B. Kimball  
Mission Director  
USAID/Egypt

\_\_\_\_\_  
Date

Clearances:

AD/DPPE:GLaudato \_\_\_\_\_ Date: \_\_\_\_\_  
AD/FM:TJMcMahon \_\_\_\_\_ Date: \_\_\_\_\_  
LEG:MWilliams \_\_\_\_\_ Date: \_\_\_\_\_  
AD/IS:DPressley \_\_\_\_\_ Date: \_\_\_\_\_  
OD/FI:JSuma \_\_\_\_\_ Date: \_\_\_\_\_  
IS/FI:WColes \_\_\_\_\_ Date: \_\_\_\_\_

ANNEX C

GOE Contribution

	<u>LE</u>	<u>U.S.\$</u>
Staff salaries, incentives and bonuses (3 professionals for 39 months)	58,000	70,000
Office space, utilities, phones, etc.	170,000	204,000
Miscellaneous expenses	<u>50,000</u>	<u>60,000</u>
<u>Total</u>	LE 278,000*	\$334,000

\*.83168 LE = \$1; in-kind, local currency contribution

ANNEX D

List of Project Activities

I. Feasibility Studies

A. Completed

<u>Company</u>	<u>Activity</u>	<u>Status</u>	<u>Cost</u>
1. International Plant Research Institute	Integrated agribusiness	Not feasible	\$ 56,279
2. New AG	Poultry	Investor declined	82,072
3. U.S. Engineers and Consultants	Black plate steel	No investment	49,500
4. Sunbelt Energy Corp.	Extraction of ethynol	Investor declined	121,968
5. Wolverine Worldwide	Footwear production	Not feasible	14,238
6. Virgin Islands Corp. (VIRCO)	Floating cold storage	Law 43 approved	137,000
7. Spire Corp.	Solar energy	Investor declined	37,200
8. Zec International	Solar energy	Not feasible	106,800
9. Beatrice Foods	Meat & poultry	Law 43 approved	157,840
10. Alliance Foods, Inc.	Food processing & distribution	Law 43 approved	<u>182,281</u>
	<u>Subtotal</u>		\$945,178

B. Yet to Start or Underway

<u>Company</u>	<u>Activity</u>	<u>Status</u>	<u>Cost</u>
1. ITT Grinnell	Water valves	Underway	\$ 56,039

<u>Company</u>	<u>Activity</u>	<u>Status</u>	<u>Cost</u>
2. Continental Grain	Concentrated foods	Underway	\$ 89,888
3. Eli Lilly International	Pharmaceutical production	Approved	56,000*
4. Purina	Concentrate feeds	Underway	100,496
5. National Can	Cans	Approved	73,516
6. Exide	Industrial batteries	Underway	116,302
7. Clark Tubular	Pipe threading	Submitted	152,410*
8. GA Technologies Inc.	Radiation processing	Submitted	199,925*
9. Amer. Stand., Inc.	Brass/chrome sanitary fixtures	Approved Submitted	<u>166,651*</u>
<u>Subtotal</u>			\$1,011,227

## II. Reconnaissance Visits

### A. Completed

<u>Company</u>	<u>Activity</u>	<u>Status</u>	<u>Cost</u>
1. Green & Associates	Sunflower oil production	Investor declined	\$ 2,286
2. Packerland Packing	Meat processing	Not feasible	4,760
3. Adam's Hard Facing	Agricultural equipment	Not feasible	6,000
4. Estacado Industries	Goat meat & wool production	Investor declined	4,798
5. Lundgren Financial	Agribusiness & livestock	No further action	3,600
6. Lonington, Inc./Shell	Butylene pipes	Application expected	1,922
7. Elitine Corp.	Aluglass materials	Completed	\$ 6,000

25



ANNEX E

Statutory Checklist

PRIVATE SECTOR FEASIBILITY S

Project No. 260-0112

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:

B.1. applies to all projects funded with Development Assistance loans, and

B.3. applies to projects funded from ESF.

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

A. GENERAL CRITERIA FOR PROJECT

1. FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A; Sec. 653(e).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

(a) Congressional committees will be notified in accordance with regular Agency procedures. No funds will be obligated until AID/W has informed USAID/Egypt that the CN waiting period has expired.

(b) Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes

(b) Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
- All international agreements must be ratified by the Peoples Assembly. In the past, the Assembly has ratified all grant agreements in a timely manner.
4. FAA Sec. 611(b); FY 1985 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973, or the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)
- N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?
- N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
- The Project is not susceptible to execution as a regional or multilateral project.

- 7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to:
  - (a) increase the flow of international trade;
  - (b) foster private initiative and competition; and
  - (c) encourage development and use of cooperatives, and 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) Yes
- (b) Yes
- (c) Yes
- (d) Yes
- (e) Yes
- (f) Yes

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

Private enterprise in the U.S. will be the direct beneficiary of these funds.

- 9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The Grant Agreement will provide for a host-country contribution.

- 10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

1. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. FY 1985 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program taken into consideration the problem of the destruction of tropical forests? Yes; N/A
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? N/A

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

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? N/A
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? N/A
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? N/A
- e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project for more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country N/A

15. FY 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? No

B. FINDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

- a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote N/A

'relatively least developed'? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services; and not undertaken as part of a project of a predominantly technical assistance character.

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

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. N/A

2. Development Assistance Project  
Criteria (Loans Only)

- a. FAA Sec. 122(b). Information on conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A

3. Economic Support Fund Project  
Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? Yes  
Yes
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? No
- c. FAA Sec. 534. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? No

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

N/A

## 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. | <u>FAA Sec. 602.</u> Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?   | Yes |
| 2. | <u>FAA Sec. 604(a).</u> Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him??   | Yes |
| 3. | <u>FAA Sec. 604(d).</u> 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? | N/A |

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). 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? (Exception where commodity financed could not reasonably be procured in U.S.) N/A
5. FAA Sec. 604(a). Will construction or engineering services be procured from firms of countries which are direct aid recipients and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? N/A
6. 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 such vessels are available at fair and reasonable rates? All applicable shipping rules will be followed.

7. 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

8. International Air Transportation 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

9. FY 1985 Continuing Resolution 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?

Yes

#### B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

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 (except for productive enterprises in Egypt that were described in the CP)?
- Yes

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
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1985 Continuing Resolution Sec. 527. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice
- Yes

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 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(a). 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 1985 Continuing Resolution, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes

- g. FY 1985 Continuing Resolution, Sec. 505.  
To pay U.N. assessments, arrearages or dues? Yes
- h. FY 1985 Continuing Resolution, Sec. 506.  
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes
- i. FY 1985 Continuing Resolution, Sec. 510.  
To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes
- j. FY 1985 Continuing Resolution, Sec. 511.  
Will 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? The assistance will not be used to repress human rights.
- k. FY 1985 Continuing Resolution, Sec. 516.  
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes

ANNEX F

A. Listed below are selected potential investors that have visited the Office of IS/FI during the period of 3/12/85 through 5/24/85. This list is illustrative and represents only those investors undertaking one-on-one discussions with Walter Coles:

<u>Company/Investor</u>	<u>Estimated Project Cost (millions)</u>	<u>Project Type</u>
1. Owens-Corning-Fiberglass/ Gilbert Soor	\$ 14.0	Two plants -- fiberglass pipes and insulating material
2. ITT/W.S. Tyler	20.0	Telephone switching systems
3. TLB/Thomas Bond	5.0	Pre-stressed concrete plant
4. First Arabian/John Hilken	12.0	Tomato paste plant
5. Medical Services Int'l./ Dan Brown	1.5	Referral lab for all hospitals
6. Abbott Labs/R. Hegay	6.0	Infant formula & drugs
7. Solectric/Chris Gadomski	1.5	Solar electrical power
8. Carey Int'l./Jeff Peterson	11.0	Integrated farm
9. Jasamro Inc./Jeff Hodes	20.0	Private hospitals & clinics
10. Eli Lilly/K. Tucker	11.0	Medical -- drugs
11. Exide/J. Coker	6.0	Industrial batteries
12. Icon/GE Magdi Imam	6.0	Light fixtures
13. Aricon/ITT Grinnell/ Samir Makory	32.0	Pipe valves
14. Pioneer Seeds/ Harry Ramshukla	8.0	Seed plant -- seed distribution
15. Clark Tubular/ James Mitchell	5.0	Pipe threading for oil industry
16. Fairuz Hospital/Mohamed Abdullah	8.0	Private sector hospital

<u>Company/investor</u>	<u>Estimated Project Cost</u>	<u>Project Type</u>
17. Norwick Eaton Pharma- ceuticals Division of Procter & Gamble/ Ronald Brandt	\$ 6.0	Drugs
18. Beatrice Foods	16.0	Processed foods
19. GME	<u>80.0</u>	Truck plant
<u>Total.</u>	\$269.0	

B. Listed below are selected companies that have been approved to participate in the PSFS program or are expected to submit applications:

1. Ralston Purina	Approved	Concentrate feeds
2. Continental Grain	Approved	Concentrate feeds
3. A.P. Parts	Approved	Auto feeder industry
4. National Can	Approved	Tin plate
5. Sheller-Globe	Expected	Auto gaskets, etc.
6. Procter & Gamble	Expected	Soaps
7. Echlin	Expected	Auto parts
8. Allis-Chalmer	Expected	Pumps
9. Maremont	Expected	Shock absorbers & brakes
10. C.R. Industries	Expected	Auto parts

C. Listed below are companies that may participate in the GM Car and Feeder Industries Projects:

<u>Company/Investor</u>	<u>Estimated Project Cost</u>	<u>Project Type</u>
1. Goodrich	\$130.0	Tires
2. Inland	6.0	Seat trim
3. Pittsburgh Paint & Glass	16.0	Paints
4. ITT	--	Shocks-mufflers
5. Bendix	—	—
6. TRW	--	Power Steering
7. Harrison Radiator	—	Radiators

ANNEX G

Beatrice Foods Case

<u>Event</u>	<u>Date</u>
1. Beatrice seriously considered Egypt for processed meat plant and began preparations for application to PSFS program.	November 1982
2. Finalized application for PSFS and submission to Investment Authority.	February/March 5, 1983
3. Investment Authority advised AID of approval of Beatrice application and requested reservation of funds.	May 8, 1983
4. Beatrice and Authority executed contract for PSFS program.	June 13, 1983
5. Beatrice mobilized and field work began.	August 15, 1983
6. Field work and draft report completed.	March 15, 1984
7. Final report and request for reimbursement submitted to Authority.	July 20, 1984
8. Authority approved final report and requested USAID to reimburse Beatrice \$157,840.	July 31, 1984
9. Legal and other activities undertaken to form Law 43 company and selection of joint venture partner.	July 1984 to March 1985
10. Law 43 application submitted to Investment Authority.	March 28, 1985
11. Law 43 approval expected.	Imminent
12. Arrival of Beatrice team to undertake construction phase.	One month after Law 43 approval
13. Construction completed.	One year following approval
14. Plant start-up.	One year following approval

Annex H

Proposed GAFI Budget

<u>Line Item</u>	<u>1986</u> <u>(L.E.)</u>	<u>1987</u> <u>(L.E.)</u>	<u>1988</u> <u>(L.E.)</u>
<u>Personnel:</u>			
Secretary	5,200	5,850	6,500
<u>Facility Operating Costs:</u>			
Telephone Line (Installation)	1,600	---	---
Telephone (Operation Charges)	7,200	8,400	9,600
Printed Materials	10,000	12,000	13,000
Postage	2,600	3,640	4,680
Subscriptions	\$1,500	\$2,000	\$2,500
Office Supplies	1,800	2,100	2,400
Accounting Services	1,200	1,500	1,800
Transport Costs (Leasing of (Automobile, Taxi Expense)	7,800	9,100	10,400
<u>Travel (Int'l.):</u>			
Airline Tickets (4 Trips)	7,046	8,160	9,468
Per Diem (4 Trips/15 Days Ea. @ \$75/Day)	\$4,500	\$4,500	\$4,500
Other Costs (4 Trips/15 Days Ea. @ \$25/Day)	\$1,500	\$1,500	\$1,500
<u>Travel (Dom.):</u>			
4 Trips/3 Days Ea.	756	876	1,008
<u>Attendance at Conferences (U.S.):</u>			
Airline Tickets/Lodging (2 Trips)	\$6,000	\$7,000	\$8,000
<u>Attendance at Conferences (Egypt):</u>			
	2,000	2,500	3,000
<u>Misc. Expenses:</u>			
	1,500	2,000	2,500
<u>Capital Expenditures:</u>			
Office Equipment/Furnishings	11,000	---	---
Photocopier	1,700	1,700	1,700
Typewriter	3,000	---	---

<u>Line Item</u>	H-2		
	<u>1986</u> (L.E.)	<u>1987</u> (L.E.)	<u>1988</u> (L.E.)
<u>Training:</u>	\$25,000	\$25,000	\$25,000
<u>Subtotals:</u>			
Egyptian Pounds <u>3/</u>	64,402	57,826	66,056
U.S. Dollars <u>1/</u>	\$38,500	\$40,000	\$41,500
<u>Total (U.S. Dollar Equivalent) 2/</u>	\$115,936	\$109,529	\$120,925
<u>Contingency (15%): 1/</u>	\$17,390	\$16,429	\$18,139
<u>Grand Total</u>	\$133,326	\$125,958	\$139,064

1/ These amounts total approx. \$172,000

2/ .83168 LE = \$1

3/ These amounts total U.S.\$ equivalent of approx. \$225,000