PD-AAU-075

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON. D.C. 20523

PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)

EGYPT: FY 1986 Commodity Import Program (263-K-612)

May 4, 1986

UNCLASSIFIED

UNITED STATES
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

EGYPT: FY 1986 COMMODITY IMPORT PROGRAM

AID GRANT NO. 263-K-612

UNCLASSIFIED

PAAD

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

AID Grant No. 263-K-612

2. COUNTRY: Egypt

3. CATEGORY: Commodity, Standard Financing Procedure

4. DATE: April 1986

5. TO: Frank Kimball, Director, USAID/Cairo

6. CVD EVIDENCE NO.: Not Applicable

7. FROM: George Laudato, AD/DPPE

8. CVD INCREASE: None

9. TO BE TAKEN FROM: Economic Support Fund

10. APPROVAL REQUESTED FOR COMMITMENT OF: $ 150,000,000

11. APPROPRIATION:

12. TYPE FUNDING: ☐ LOAN ☒ GRANT

13. LOCAL CURRENCY ARRANGEMENT: ☐ INFORMAL ☒ FORMAL ☐ NONE

14. ESTIMATED DELIVERY PERIOD: 8-86 - 8-88

15. TRANSACTION ELIGIBILITY: PAAD Authorization Dat

16. COMMODITIES FINANCED

Items appearing in the A.I.D. Commodity Eligibility Listing that will be eligible for financing under this loan. Priority items are expected to include food commodities.

17. PERMITTED SOURCE

U.S. only $150,000,000

Limited F.N.:

Free World:

Ceiling:

18. ESTIMATED SOURCE

U.S.: $150,000,000

Industrialized Countries:

Local:

Other:

SUMMARY DESCRIPTION

Egypt's balance of payments position remains characterized by fundamental structural weaknesses. Export earnings are heavily concentrated in petroleum, worker's remittances, the Suez Canal and tourism. While earnings from these, sectors, especially petroleum and workers' remittances, grew very rapidly through 1980, they leveled off in 1981/82 and their future growth potential is not buoyant. Supplements to export earnings must be developed in the commodity producing industrial and agricultural sectors in order to meet the import requirements for sustaining favorable trends in production, consumption and investment; however, it is necessary to change a range of domestic economic policies in order to accomplish this. Such changes are difficult to bring about. Reflecting these factors, Egypt's current account deficit jumped by $0.8 billion during 1983/84 to $2.5 billion and expanded by another $500 million during 1984/85. A continuation of balance of payments assistance through the CIP is essential to provide vitally needed imports and to assist this adjustment process.

Controller concurs in the methods of implementing and financing stated herein.

CLEARANCES		DATE
LEG: K O'Donnell	KFM	3/18/86
AD/FM: T McMahon		2/6/86
AD/IS: D Pressley		2/5/86
CS/CMT: R Richardson		2/14/86
DPPE/PAAD: P Gajewski		2/11/86
DD: AHandly		3/3/86

20. ACTION: ☒ APPROVED ☐ DISAPPROVED

AUTHORIZED SIGNATURE: Frank B Kimball — DATE: 5/4/86

Director, USAID/Cairo

TITLE

CLASSIFICATION:

EGYPT: U.S. FY 1986 CIP ASSISTANCE
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I. U.S. OBJECTIVES

The proposed FY 1986 CIP assistance package has both political and economic objectives. The immediate political objective is to demonstrate the continuity of U.S. support for the Mubarak government and its continuation of policies supportive of U.S. political objectives for a comprehensive and durable peace settlement in the Middle East. With the realization of the Egyptian-Israeli peace agreement, the cornerstone of a comprehensive peace has been laid. Over the longer term, our policy aims at a satisfactory evolution of political and economic relations among all countries in the region. The cooperation of Egypt, the principal Arab country, is essential for these purposes. The GOE has demonstrated by its actions that it shares our desire to seek peaceful resolution of Middle East differences and an end to the state of tension that has adversely affected the well being of the people throughout the region. The continuing ability and willingness of Egypt to proceed toward this ultimate goal will depend on (a) sustaining domestic political stability; (b) avoiding short-term deterioration in the standard of living of the population; and (c) obtaining sufficient foreign resources to permit a continuing development effort. The overall objective of U.S. assistance to Egypt is to foster economic and social development that will facilitate and encourage the establishment of a permanent comprehensive peace. The critical importance of this objective, together with the fragile state of the Egyptian economy and its dependence on foreign assistance, at least over the next few years, justifies and necessitates the exceptionally high level of present and proposed U.S. assistance to Egypt.

The economic objective of U.S. CIP assistance is to help sustain the needs of the GOE for imported equipment and raw materials, by providing a portion of the required foreign exchange. The availability of these materials are important ingredients of the GOE's ability to provide the goods and services to maintain economic stability. These requirements cannot now be funded on a self-sustaining basis out of such market-determined sources of foreign exchange as merchandise and service

export earnings and direct investment inflows. The main current sources of foreign exchange revenues are petroleum, workers' remittances, tourism and Suez Canal revenues. Developing exports of agricultural and industrial products as additional sources of foreign exchange will be a lengthy process. In the meanwhile, sustaining the Egyptian economy at its present level of activity will require concessional and flexible balance of payments assistance of the type provided by the CIP.

The overall programming level for the public and private sector CIP has been set by the FY86 Continuing Resolution at $200 million. Since a portion of U.S. assistance is committed to top-priority projects of the GOE and since a major objective of U.S. strategy is to expand the opportunities for privately owned, market-oriented activities, the programming level for the public sector CIP will be gradually shifted over the next few years to finance the commodity import needs of the private sector under the Private Enterprise Credit Project. For FY86, the split between the two programs will be $150 million for the public sector CIP, which is covered by this PAAD, and $50 million for the private enterprise CIP, which will be authorized as a component of the umbrella Private Enterprise Credit Project.

II. Background and CIP Justification

A. Recent Economic Developments

During the period 1965-1974, the Egyptian economy grew in real terms by only 3% annually and experienced severe pressures in its balance of payments as problems stemming from a long-term trend of eroding external competitiveness and a rising domestic demand were exacerbated by the burden of defense expenditures. However, between 1975 and 1980, Egypt's real economic growth soared to some 8% annually and balance of payments pressures were substantially relieved through a surge in foreign exchange receipts from petroleum exports, earnings from the Suez Canal, tourism receipts, supplier credits, and emigrant remittances. This surge is graphically portrayed in the following table (in $ billion):

TABLE I

PRINCIPAL FOREIGN EXCHANGE RECEIPTS

	1975	1980	1984/5
Petroleum	0.4	2.9	2.8
Suez Canal	0.1	0.7	0.9
Tourism	0.4	0.8	1.2
Supplier credits	0.4	0.8	0.7
Worker remittances	0.4	4.0	4.3
	1.7	9.2	9.9

With annual petroleum export receipts declining slightly from the peak of $3.3 billion reached in 1981/82 and with worker remittances also off by a couple of hundred million dollars from their peak of about $4.5 billion reached in 1983/84, real economic growth has subsided to an annual average of about 3 or 4%. Petroleum export receipts are likely to continue to decline as the effect of modest production increases is offset by the renewed weakening of prices and the continued rapidly rising domestic consumption. This renewed weakening of prices has in turn dampened the employment prospects for emigrants in Saudi Arabia and the Arabian Gulf, and thus a recovery in worker remittances can not be anticipated. Suez Canal revenues this year may recover to the near $1 billion level experienced during 1983/84, but political uncertainties may cause tourism revenues to fall by $100 million or so.

Since the sources of export receipts and domestic economic growth identified in Table I above have all levelled off and now show doubtful or uncertain prospects for future growth, Egyptian planners and foreign donors look toward development of agriculture and industry as the major future stimuli to the economy. Growth in these two sectors is needed to provide export earnings, improve productivity, and maintain opportunities for gainful employment required for favorable economic performance.

The recent trend in non petroleum exports has not yet borne out this expectation. While the production of onions, potatoes and most fruits has expanded significantly since 1977/78, the production of wheat, cotton, rice, maize and millet has stagnated. Production of most industrial commodities has

increased little and, on an overall basis, industrial exports have declined from the $696 million peak achieved in 1978. As indicated in, there was a 28% surge in the value of non-petroleum exports during 1983/84, but there was a renewed decline of $150 million during 1984/85. Imports jumped by over $1 billion during 1984/85, mainly because of sharply rising purchases of food, but have been flat since.

Reflecting the various factors described above, the Egyptian current account deficit jumped by $1.4 billion over the two year period 1983/84 - 1984-85. During the same period, the GOE's gross budgetary deficit expanded by $830 and $900 million respectively to $6.0 billion.

B. Economic Justification

Vigorous economic reforms will be needed to restrain and reduce these deficits through discouraging consumption and stimulating production and exports. During the summer of 1985, the GOE took the following economic reform measures: 1) Increased electricity prices by an average of 33%. 2) Doubled again the price of fuel oil and increased the price of gasoline about 28%. 3) Increased again the procurement price of wheat by about 37%. 4) Tripled the water tariffs in Cairo and several other cities. 5) Increased again the prices of cigarettes by about 10% and placed a new 10% tax on airline tickets. 6) In December 1985 and January 1986, the GOE increased the basis for valuing airline tickets purchased in Egypt and for pricing air freight by 62% to the flexible commercial bank exchange rate. The implementation speed of economic reforms has slowed considerably in recent months.

The GOE has moved slowly on price reform in order to cushion or minimize the disruptions or income losses occurring to some firms and households. If the GOE were to adopt more vigorous adjustment policies, donor assistance through both project and non-project modes could alleviate the adverse effects of this adjustment process. The most disappointing aspect of the GOE's price reform program in recent years has been the failure to attack the enormous (over LE 4 billion annually), rapidly growing burden of energy subsidies for the economy. These

subsidies serve no well-conceived social welfare objective, lead to major distortions in the allocation of investment in the economy, and encourage highly wasteful patterns of energy use by industry and other consumers.

Through a meaningful escalation of real energy prices (probably requiring compensatory wage adjustments to avoid any decline in households' real purchasing power) and through adjustment of other prices to economic levels, by clearing up the confusion on exchange rate reform through a forthright move towards a flexible, unified system, the GOE could simultaneously achieve a reduction in its ominously large budget deficit and help to restrain effectively the current account deficit in the medium term.

It will take considerable time and difficult policy reforms to place Egypt's balance of payments performance and development process on a more self-sustaining basis. Meanwhile, the CIP is a significant element in easing the balance of payments constraint on economic activity and in making available intermediate inputs and investment goods to agriculture, industry and other sectors of production. The flexible character of the CIP program will enable the U.S. to respond quickly to assist Egypt in meeting sudden balance of payments pressures that may arise.

C. PL-480 Title I, II and III

From FY 1975 through 1985, the U.S. financed $2.4 billion in PL 480 Title I and III commodities. The present annual programming level is $213 million. The major portion of this assistance has been for wheat grain and flour. The U.S.-supplied wheat has been a critical element in meeting the demand for this basic foodstuff by the growing Egyptian population.

Title II grant obligations from FY 1975 through FY 1985 totaled $163.4 million and have been used to support feeding and MCH programs in Egypt.

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

D. Impact on U.S. Balance of Payments

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

Public sector investments have totalled about LE 5.4 billion annually of which about LE 1.1 billion is for imports. Although part of the capital goods imports will be tied to donor countries, much will be financed by the GOE and opened to international competitive bidding. As a result of trade relationships developed under the CIP, it is expected that U.S. suppliers should be able to win a substantial share of the bidding.

III. CIP IMPLEMENTATION

A. Past Experience

Since 1975, 19 CIP agreements have been signed obligating a total of $3.3 billion. This figure compares with total U.S. commitments of $10.9 billion since 1975, of which $2.6 billion has been allocated for PL-480 commodities (see table II). Against these CIP obligations, 4,400 letters of credit were issued to U.S. suppliers, and disbursements totaled $2.8 billion through September 1985. FY 1984 and 1985 disbursements were $285 and $272 million respectively. Data on the 19 CIP agreements are presented in table IV with respect to obligations, letters of credits, disbursements and initial and terminal shipping dates.

Sectoral allocations of CIP funds are presented in Figures I and II and in Table IV. From FY 1975 through FY 1984, the industrial sector has received the largest share of funds at 40% ($1,255 million), followed by infrastructure at 29% ($889 million), basic human needs at 10% ($306 million) and agriculture at 16% ($515 million). During FY 1982-FY 1984, these four sectors received allocations totaling ($million) 352, 233, 57 and 292 respectively. The Ministry of Supply has been the largest receiving Ministry during the last ten years at $1,093 million, followed by the Ministry of Industry at $860 million, Transport at $297 million, Electricity at $151 million and Information at $ 111 million. The private sector has received $137 million in allocations for the private sector CIP set-side and the private sector CIP project (Production Credit).

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

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

Breakdowns of the commodities financed under the CIP through fiscal year 1985 are given in tables V and VI. Food items have totaled $627 million, capital equipment $956 million, and raw materials and other commodities $1,281 million. The most important commodities have been corn; tobacco; tallow and other inedible oils; vegetable oils; frozen chickens; coking coal iron/steel strips; agricultural and food machinery; printing machines; transformers, generators and motors; radio and radar apparatus; and motor vehicles.

B. The Allocation Process

The CIP program is administered on a government to government basis, with the Ministry of Planning and International Cooperation (MPIC) acting as the coordinating body on the Egyptian side. Proposals for the use of CIP funds are prepared by public sector organizations and Ministries and are then reviewed by the MPIC. During three meetings in April 1985 between USAID and MPIC representatives, the MPIC described this screening and review process. Decisions to steer public sector import needs through the CIP are largely based upon whether the U.S. source is best technically and from a price or credit point of view. This judgment is often influenced by a finding that the United States has been the traditional supplier of the items or of closely related commodities. Those requests for capital equipment imports which are not in accordance with the Five Year Plan are then dropped. Time phasing is also often used, with a portion of a Ministry's request approved for the current year funding and the balance for subsequent year funding. Time phasing is used for those requests which are deemed less urgent, but also for those organizations which have been unnecessarily slow in preparing specifications or on other procedures. MPIC cuts of Ministry proposals are often sweeping and unspecific to fit the available funding and it is up to the Ministry to decide on the individual new allocations.

As in past years, the approved MPIC list has been circulated to all USAID Associate Directors for any expressions of concern before final USAID concurrence. An innovation during 1985 was affording an opportunity for USAID technical offices to make suggestions to the MPIC and the technical ministries

on recommended procurements early in the decision-making process. With this year's grant, we will urge MPIC to allocate less to public industry and more to essential Governmental functions and spare parts.

In a side letter to the 1985 Cash Transfer agreement dated March 12, 1985 the Government of Egypt made a commitment that "during fiscal year 1986, it will continue to import bulk commodities on a competitive basis under the A.I.D. financed Commodity Import Program at the same approximate level of bulk corn imported under the Commodity Import Program during the past five years." This level averaged $59 million. We anticipate that agricultural commodities imported under the CIP will easily exceed this level. These levels are far beyond the 18% minimum level imposed by Section 205 of the International Security and Development Cooperation Act of 1985.

C. The Acquisition Process

Once the allocation procedure is completed and the prospective purchasers are identified, the USAID/Cairo Office of Commodity Management and Trade works closely with them and with M/SER/AAM in AID/Washington to develop and refine technical specifications for the desired commodities. Procurements are governed by A.I.D. Regulation No. 1. When formal tender documents are made final, they are issued through the Egyptian Embassy in Washington. Advertising is made through AID-issued bulletins and the Commerce Business Daily. Purchasing committees in the public sector organizations analyze the supplier proposals and notify USAID/Cairo on their decisions of contract awards. After approval of the awards, standard bank letters of credit will be issued to the awardees or, in rare instances, a Direct letter of Commitment.

The purchasing committee is usually appointed by each entity's central controlling organization, but, in some areas, the ultimate end-users form their own buying group with ministry approval and undertake procurements in the same way as buying associations in the United States. In other areas, the buyer is a single industrial entity or an authorized distributor, and purchase authority may be delegated directly to the buyer after initial approval of the sub-allocation. There are over 120 separate public sector organizations participating in the CIP, purchasing either as the ultimate user or as a buying authority for several satellite members.

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

For sophisticated commodities, the user agency certifies that necessary action has been taken to permit the immediate and effective use of the commodities: before a tender is issued, the equipment site will be prepared and the building where the equipment will be installed will be erected. There are also plans for the installation of the equipment, and for operating and maintaining it. The USAID will continue to finance through the CIP such planning, training and technical consultant services as will help to speed up the preparation of good proposals for the procurement of capital equipment. In only rare cases, will procurements be approved for equipment requiring installation at multiple sites or requiring installation time of more than one month.

Other procedures adopted for prompt CIP utilization include:

- Proposals for funding of less than $1 million are to be discouraged. During 1985, there were the following transactions for a grand total of $275:

# of Transactions	Amount (million)	Total (millions)
209	1	52
15	1-1.5	18
10	1.5-2	18
12	2-3	29
9	3-5	31
7	5-10	53
6	10-15.349	73
268		275

- Concentrating on repeat purchases of replacement equipment already defined and successfully purchased under past CIP programs.

- Avoiding, where possible, custom-built commodities, or equipment with unusual specification development/review requirements.

Confining low unit-value purchases to high volume orders for standard packages. Screening the intricate and diverse requirements for laboratory equipment, for example, required an inordinate amount of staff time. We are recommending that educational and health institutions make use of a Procurement Services Agent (PSA) in the preparation of specifications for desired equipment and to carry out the procurements on behalf of the buyers.

- Concentrating procurement activities on GOE agencies with a proven track record in effective and timely implementation. A reallocation of funds is required if procurement contracts are not produced within six months after allocation. This new requirement should permit a by-passing of several end-users that have delayed excessively in providing specifications or in making contract awards.

- A streamlined preparation and review of specifications by M/SER/AAM and its support contractor have accelerated the flow of tender documents from AID/W.

IV. LEGAL PROVISIONS

A. Local Currency Special Account

Section 609 of the Foreign Assistance Act of 1961, as amended, and the US/GOE Bilateral Agreement that was entered into on August 16, 1978, required the Government of the Arab Republic of Egypt to establish a Special Account in the Central Bank of Egypt and to deposit therein currency of the Government of Egypt in amounts equal to proceeds accruing to the government,

or any agency thereof, as a result of the sale or importation of eligible items. The Special Account was established in conjunction with the FY 1979 Supplemental Commodity Import Program Grant.

The FY 1982 CIP Agreement and subsequent agreements stipulated that in cases where credit terms are provided for imports under the CIP, deposits to the Special Account are to be made in accordance with the debt service schedule associated with these credit terms. Since there were indications that many of these deposits were not made on a timely basis, the MPIC established an interim control system during the summer of 1984. This system required that importers pay 25 percent of the value of the import before the AID Financing Request or bank letter of credit was issued. It also required that signed promissory notes for the remaining 75 percent be obtained before the release of the shipping documents to the importers. In January 1985, the GOE completed the installation of this system in the local banks and the Central Bank of Egypt, backed by a USAID-financed computerized Counterpart Accounting System installed in the Controller's Office of USAID/Egypt.

The importers having arrearages from past CIP transactions have been identified and agreement has been reached with MPIC that such importers will not be allocated further CIP funds until the delinquent balances are paid. Exceptions will be granted on a case by case basis by the Mission Director only if the commodities to be imported are critically required for economic, humanitarian or other reasons. The USAID delivered to the GOE on February 3, 1985 two implementation letters incorporating these understandings. USAID is working in close cooperation with MPIC to expedite the full collection of arrears.

The grant agreement will continue to specify that "grantee will make such deposits at the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of Egypt." In view of the marked depreciation of the Egyptian pound during the last three years in two of the tiers of the system, negotiations are underway to revise the rate applicable to the deposits into the CIP Special Account.

In accordance with FAA Section 531, as recently amended,, USAID will ensure that, to the maximum extent feasible, no less than 50% of the local currency generated by the CIP will be used for AID-administered activities consistent with the objectives of sections 103 through 106 of the FAA. We expect that the percentage of CIP reflows to be devoted to AID activities in the areas of agriculture, rural development, nutrition, health, population, education, energy and other basic human needs under the Egypt program during FY86 will be well above 50%.

B. Condition Precedent to Disbursement.

Prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a statement representing that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each person.

C. Covenants

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

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

3. A proposed allocation shall be made by the grantee of Egyptian currency generated under the Commodity Import Program during the year following signature of this agreement for use in USAID-financed

development projects as stipulated in item 1 of the Memorandum of Understanding regarding the Special Account. In determining allocations, priority will be assigned to projects promoting basic human needs.

Pursuant to section 206 of the ISDCA of 1985, we also will make available funds as needed for the trade financing facility. A tentative allocation of $10 million has been made for this purpose. (See Annex C).

D. General Terms

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

2. Unless A.I.D. otherwise agrees in writing, commodities and related services financed under the grant shall have their source and origin in the United States. Fifty per cent of the value of the shipments will be made on American ships; this requirement will be met on an overall basis in conjunction with the Private Sector CIP.

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

4. Short-term technical advisory and training services in addition to those specified under Regulation 1 may be agreed to by A.I.D. and the Ministry of Planning and International Cooperation on a case-by case basis where such services would contribute to the proper operation, maintenance, or application of commodities financed by A.I.D.

5. None of the proceeds of this Grant may be used for financing military requirements of any kind, including the procurement of commodities or services for military purposes.

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

ANNEX A
Table II

Egypt: Balance of Payments

Merchandise Trade

(In Millions of Current Dollars)

	1981/2	1982/3	1983/4	1984/5	1985/6
Petroleum Exports [1]	3,329	2,807	2,957	2,770	2,100
- Crude	(2,600)	(2,182)	(2,396)	(2,142)	1,750
Non-Petroleum Exports [2]	1,033	975	1,300	1,200	1,300
Imports [3]	10,500	0,800	12,100	12,300	11,600
Trade Deficit	6,100	7,000	7,900	8,500	8,200

Services

Shipping & Airline Companies	500	511	521	622	550
Suez Canal Dues	909	957	974	897	900
Tourism [4]	1,000	1,000	1,050	1,200	850
Worker Remittances [5]	3,700	4,400	4,500	4,300	4,300
Investment Income	1,374	1,067	1,285	1,250	1,200
Other	392	833	889	848	850
Total Service Receipts	7,900	8,800	9,200	9[illegible]	8,650
Interest Payments	1,432	1,439	1,599	[illegible]	1,700
Other Services Payments	1,714	1,896	2,086	[illegible]	2,000
Services, Net	4,700	5,400	5,500	5,[illegible]	4,950
Deficit on Current Account	1,400	1,600	2,400	3,000	3,250

Capital Account
(In Millions of Current Dollars)

	1981/2	1982/3	1983/4	1984/5	1985/6
Uses of Funds	2,700	2,900	3,800	4,200	4,400
Current Account Deficit	1,400	1,600	2,400	3,000	3,250
Amortization Payments	1,336	1,312	1,438	1,200	1,400
- Public Creditors	(474)	(361)	(388)	(500)	(600)
- Suppliers	(862)	(951)	(1,050)	(700)	(800)
Sources of Funds	2,800	3,800	3,950	4,100	4,400
Direct Investment 6	950	1,000	950	1,000	1,050
International Assistance	1,500	1,800	2,000	2,000	2,400
Supplier Credits	842	886	825	700	800
Other and Errors and Omissions	-500	100	200	400	400
Additions to Reserves 7	77	889	150	-100	

1. Includes bunkers, but excludes foreign partners' profit share and cost recovery shipments.

2. We consider that the official figures of 1,087 1,393 and 1,294 for 1982/3, 1983/4 and 1984/85 respectively over-estimate actual exports because they fail to reflect the use of the free market rate for many industrial exports. We have attempted to make this adjustment by utilizing tables 26 and 28 of the Central Bank of Egypt's 1983/4 and 1984/85 annual reports. The export groups of the latter table were compared with the proceeds of exports through the commercial bank pool to arrive at residual industrial exports presumed to have received the free market rate.

3. The derivation of the IMF estimates is presented in IMF, ARE-Recent Economic Developments SM/85/198 of July 10, 1985 page 131. These IMF estimates for the 1981/2-1984/5 period of 9,239; 9,181; 10,667; and 10,800 (revised) respectively include for the first time an adjustment for unrecorded grant shipments. We have made two additional adjustments to the IMF figures to arrive at our figures above: 1) Equipment for developing oil fields brought in by foreign oil companies of $ 500, 950, 725 and 750 million per year is unrecorded both as imports and as direct investment. 2) Many imports brought

back by returning emigrants on ships and planes are unrecorded; some additional imports are also unrecorded with financing from unrecorded worker remittances or unrecorded tourism earnings. These unrecorded imports may total $ 600-750 million annually. Military imports and foreign military assistance are excluded from this table.

4. Includes unrecorded tourism receipts resulting from increasing divergence between official bank and free market rates. The total tourist nights spent in Egypt declined by 10 percent from 1981/2 through 1983/4 and recovered slightly during 1984/5, but have been declining again since October.

5. The official figures are 2,082; 3,165; 3,930 and 3,496 respectively. We have made the following three adjustments to these figures to arrive at our figures above; 1) IMF, SM/85/198 pages 47 and 53 indicate that unrecorded flows into foreign currency free accounts may have totalled 1,300; 978; 457 and 600 respectively. 2) Unrecorded worker remittances financing unrecorded imports may have totalled $ 400-550 million annually. 3) An exchange rate deduction of $ 100 million for 1981/2, $ 200 million for 1982/3, $ 400 million for 1983/4 and $ 300 million for 1984/5 has been made to reflect the near-market rates actually received for almost all cash transactions rather than the 0.84 rate officially recorded. We have omitted making a similar exchange rate deduction for in-kind transactions. If we were to do so, there would then have to be the same deduction for the own exchange import figures.

6. IMF figures adjusted by estimates of $ 500, 950, 725 and 750 million annually in foreign oil company equipment imports, for developing oil fields.

7. If the GOE had been fully current on its debt obligations, the overall deficit would have been several hundred million dollars higher during 1984/5 and similarly for earlier years.

Table III

U.S. Economic Commitments to Egypt, FY 1975-1985
(In Millions of Dollars)

Programs	Amount
Commodity Import Program	3,318
PL 480 Titles I,II and III	2,562
Cash Transfer	452
Total	6,332

Project	Amount
Electricity	816
Water/Wastewater	968
Decentralization	571
Other Infrastructure	566
Industry	622
Agriculture	406
Human Resources	392
Other	226
Total	4,566
Grand Total	10,898

DPPE/PAAD,David Carr,hm
Doc., 1150P, 12/18/85

TABLE IV
SUMMARY OF CIP AGREEMENTS - LOANS AND GRANTS
By Agreement Number
FY 1975 Thru FY 1985

(In Thousands of Dollars)

Agreement No.	(A) Amount Obligated	(B) AMOUNT* DISB'D	(C) AMOUNT* UNDISB'D	Eligi-bility Date	Terminal Dates Shipping	Terminal Dates Disbursement
GRAND TOTAL	3,317,853	2,766,770	551,083			
263-K-026	79,926	79,926	--	01-14-75	07-31-80	08-31-80
263-K-027	69,908	69,908	--	06-27-75	07-31-80	08-31-80
263-K-029	99,843	99,843	--	04-05-76	11-30-81	12-31-81
263-K-030	149,175	149,175	--	10-07-76	06-30-82	07-31-82
263-K-036	64,803	64,803	--	09-30-76	06-30-82	07-31-82
263-K-038	437,261	437,261	--	03-06-77	04-30-83	06-30-83
263-K-045A	224,509	224,509	--	02-27-78	03-31-83	04-28-83
263-K-045B	72,935	72,935	--	02-27-78	03-31-83	04-28-83
263-K-052	250,000	248,337	1,663	05-19-79	09-22-85	10-22-85
263-K-053	29,865	29,835	30	06-30-80	10-31-84	05-31-85
263-K-054	250,000	248,980	1,020	06-30-80	06-30-86	07-31-86
263-K-055	70,000	69,163	837	06-28-81	08-31-85	09-15-85
263-K-601	83,936	83,936	--	08-29-79	12-31-83	01-15-84
263-K-602	54,637	54,637	--	06-30-80	12-31-84	01-31-85
263-K-603	230,000	210,084	19,916	06-28-81	02-28-86	03-15-86
263-K-604	350,000	295,123	54,877	02-05-82	02-05-86	06-30-86
263-K-606	300,000	244,702	55,298	07-28-83	09-13-86	10-13-86
263-K-606A	1,055	--	1,055	07-25-83	09-13-86	10-13-86
263-K-607	300,000	83,613	216,387	07-30-84	07-31-87	09-30-87
263-K-610	200,000	--	200,000	03-15-85	05-05-88	08-05-88

Columns (B)+(C) = Column (A).

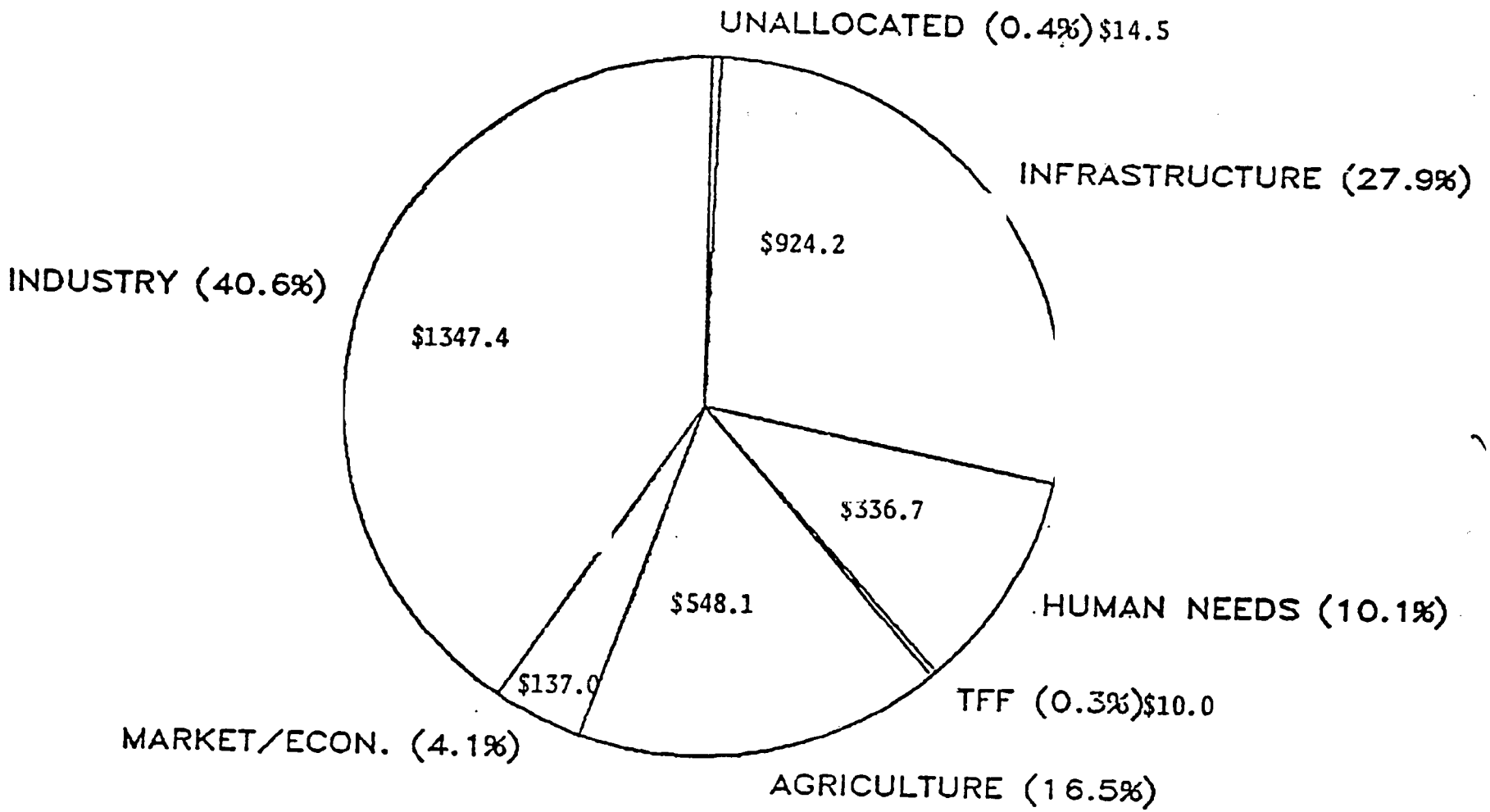
*Disbursements as of September 30, 1985

FIGURE 1

COMMODITY IMPORT PROGRAM ALLOCATIONS

BY SECTORS (1975 – 1985)

($ MILLIONS)

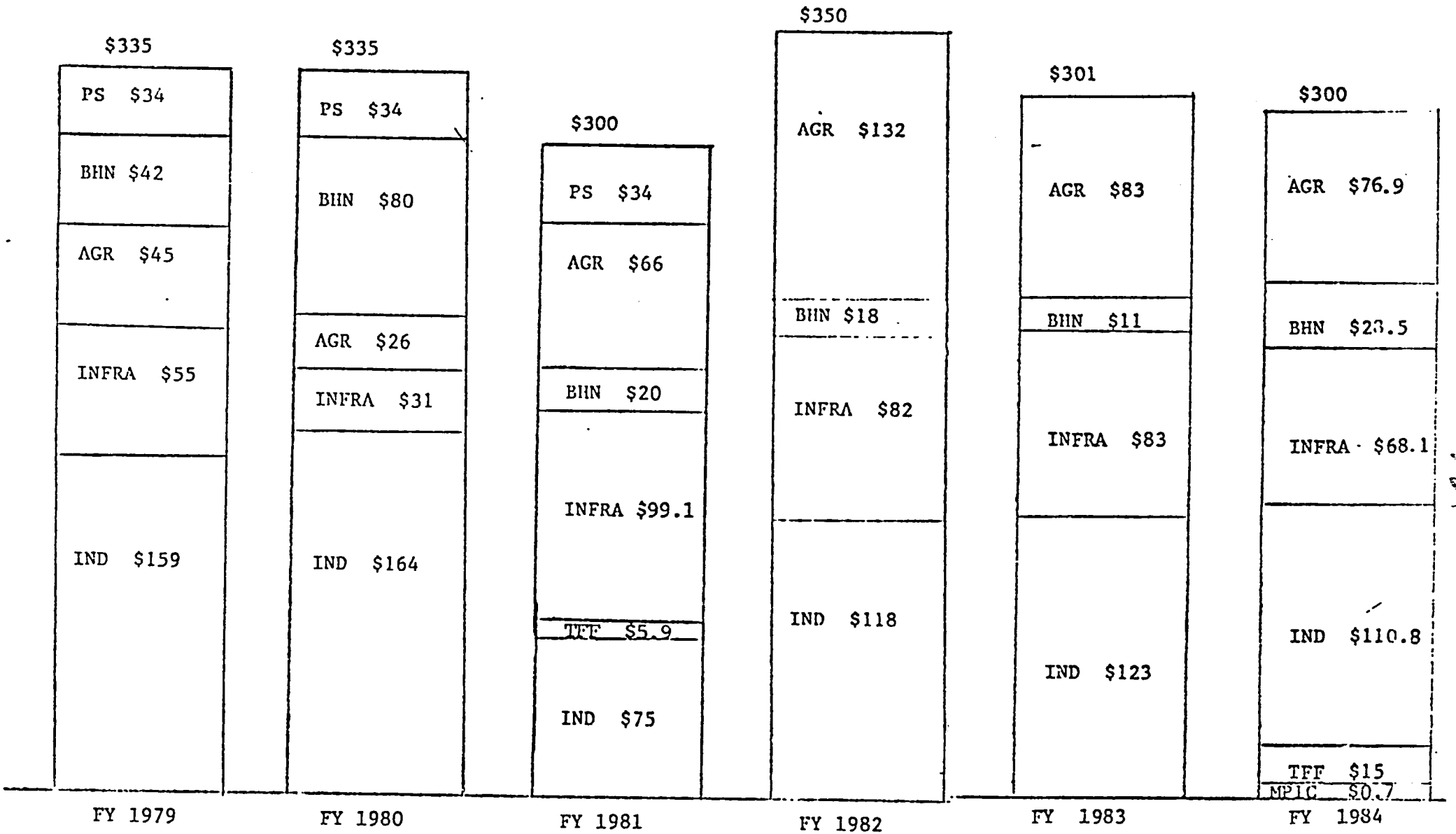


TOTAL: $3317.9

FY 1979 - 1984 AGREEMENTS

FIGURE 2

(IN MILLIONS OF DOLLARS)



AGR - Agriculture
BHN - Basic Human Needs
IND - Industry

INFRA - Infrastructure
PS - Private Sector
TFF - Trade Financing Facility
MPIC - Ministry of Investment & Int'l Cooperation

DATE: September 30,

BY Ministry/Agency
(In Thousands of Dollars)

TABLE V

Ministry/Agency	(A) Amount Allocated *	(B) Percent of Total	(C) L/C's Opened	(D) In Process	(E) Available
GRAND TOTAL	3,117,853	100.00%	2,838,074	53,475	226,304
Ministry of:					
Agriculture	48,235	1.56%	36,170	--	12,065
Civil Production	5,000	0.16%	--	--	5,000
Communications	78,995	2.53%	78,846	84	65
Economy	835	0.03%	--	400	435
Education	76,837	2.47%	59,274	12,237	5,326
Electricity	151,414	4.86%	130,070	101	21,243
Health	18,535	0.59%	15,813	2,722	--
Housing	1,517	0.05%	--	--	1,517
Industry	860,019	27.58%	805,314	19,364	35,341
Excluding GOFI	(788,214)	(25.28%)	(737,428)	(19,364)	(31,422)
GOFI	(71,805)	(2.30%)	(67,886)	--	(3,919)
Information	111,161	3.56%	97,535	4,164	9,462
Irrigation	24,224	0.78%	12,910	112	11,202
Justice	305	0.01%	--	--	305
Land Reclamation	58,720	1.88%	36,749	557	21,414
Social Affairs & Ins	3,151	0.10%	2,144	7	1,000
Supply	1,092,521	35.04%	1,062,142	1,513	28,866
Trade	8,785	0.28%	8,785	--	--
Transport	296,742	9.52%	252,510	7,591	36,641
CAPMAS	6,000	0.19%	--	20	5,980
Central Agency for Auditing	2,500	0.08%	--	500	2,000
Civil Aviation	1,869	0.06%	1,869	--	--
Governorates	66,572	2.13%	53,217	4,052	9,303
Private Sector	137,762	4.42%	135,572	51	2,139
Suez Canal Authority	44,468	1.43%	43,235	--	1,233
TFF	20,919	0.67%	5,919	--	15,000
Unallocated	767	0.02%	--	--	767

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

Columns (C)+(D)+(E) = Column (A). This figure excludes FY 85 $200.0 million

Date: September 30, 1985

Date: Sept. 30, 1986

Table VI

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
FISCAL YEAR 1975 THTOUGH FISCAL YEAR 1985
BY COMMODITY GROUPING

(L/C Values in Dollars)

Schedule "B" No.	Description	Dollar Amount
	GRAND TOTAL	2,864,052,300
105	CHICKENS, FROZEN	61,202,256
126	SEEDS, GARDEN & FIELD	15,600
127	SEEDS, OTHER	2,060,233
130	CORN	449,260,306
140	LEGUMINOUS VEGETABLES	17,096,720
170	TOBACCO	137,863,272
175	OIL-BEARING SEEDS, EXCL. PEANUTS	776,477
176	OILS, VEGETABLE	96,205,373
177	TALLOW & OTHER INEDIBLE OILS	314,272,270
184	ANIMAL FEEDS & ADDITIVES	30,623,951
202	LUMBER, SIDING, FLOORING, ETC.	3,399,627
250	PAPER & PRODUCTS, INCL. WOODPULP	50,199,964
252	PAPER/PAPERBOARD IN ROLLS/SHEETS	18,947,459
256	PAPER/PAPERBOARD, CUT TO SIZE	2,035,649
270	TRAINING AIDS	135,000
300	COTTON	9,709,500
309	MANMADE FIBERS	80,944,366
310	MANMADE YARNS	27,099,053
382	GENERATORS & SPARES	21,395
404	CHEMICAL COMPOUNDS, CYCLIC	32,047,661
415	CHEMICAL ELEMENTS, INCL. SULPHUR	43,099,738
418	CALCIUM HYPOCHLORITE	113,641
419	MANGANESE DIOXIDE	184,587
421	SODIUM COMP., INCL. CAUSTIC SODA	1,022,564
422	TIN & TUNGSTEN COMPOUNDS	54,989
423	CHEMICALS (ZEOFREE)	8,391
431	CHEMICAL COMPOUNDS, ACYCLIC	7,187,945
433	CHEMICAL MIXTURES & PREPARATIONS	1,184,321
435	ALKOLOIDS, VITAMINS, ETC.	222,116
442	AMPROL, IN PLASTIC BAGS	320,654

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
FISCAL YEAR 1975 THTOUGH FISCAL YEAR 1985
BY COMMODITY GROUPING

(L/C Values in Dollars)

Schedule "B" No.	Description	Dollar Amount
444	SYNTHETIC RESINS & PLASTICS MATERIALS	10,305,742
446	RUBBER	2,863,572
464	TERGITOL	77,240
471	DYEING & TANNING PRODUCTS	4,314,947
472	PIGMENTS/PIGMENTLIKE MATERIALS	1,317,589
474	INKS, PAINTS, AND RELATED PRODUCTS	25,153
475	PETROLEUM PRODUCTS	145,480
486	PESTICIDES, SYNTHETIC ORGANIC	1,549,728
487	PLASTICIZERS, PHOTO & TEXTILE CHEMICALS	90,721
492	CARBONS, ISOTOPES, WAXES, ETC.	33,284
496	SURGICAL SUPPLIES	88,228
517	GRAPHITE ELECTRODES	8,818,833
521	COKING COAL & MISC. NONMETALLIC PRODUCTS	205,692,475
523	ELECTROLYTIC MANGANESE DIOXIDE	36,675
531	REFRACTORIES, BRICK	1,051,686
535	IND. CERAMICS; INSULATED WASHERS, ETC.	1,395,325
540	GLASS PRODUCTS, FILTERS, ETC.	188,840
547	CATHODE/INCAND.LAMPS, ETC.	44,541
601	PVC, METALIZED	351,831
607	IRON, SCRAP	2,271,500
608	IRON/STEEL BARS, INGOTS, RODS, ETC.	17,582,017
609	IRON/STEEL STRIPS, COATED OR PLATED	132,988,083
612	COPPER SHEETS, RODS, WIRE, ETC.	3,577,985
613	COPPER PIPES/TUBES/FITTINGS, ETC.	1,120,710
618	ALUMINUM BARS, SHEETS, PIPES, ETC.	151,616
626	ZINC INGOTS	98,901
640	METAL CONTAINERS	3,060,086
642	WIRE CORDAGE/SCREEN/NETTING, ETC.	461,118
646	SP PARTS/EARTHMOVING EQUIP	425,144
648	HAND TOOLS: SHEARS, PLIERS, ETC.	236,645

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
FISCAL YEAR 1975 THROUGH FISCAL YEAR 1985
BY COMMODITY GROUPING

(L/C Values in Dollars)

Schedule "B" No.	Description	Dollar Amount
649	INTERCHANGABLE HAND TOOLS	771,106
651	MISCELLANEOUS HAND TOOLS	728,029
652	PREFAB BLDGS, CHAINS, SPRINGS, ETC.	4,212,501
653	WELDING ELECTRODES/LIGHTING FIXTURES	5,821,291
660	BOILERS/ENGINES/PUMPS FOR LIQUID, ETC.	51,026,537
661	REFRIGERATION & HEATING EQUIPMENT	19,450,279
662	FOOD PROCESSING MACHINERY	4,903,446
664	ELEVATORS/CRANES/EARTHMOVING EQUIPMENT	54,523,872
666	AGRIC, HORTICULTURAL & FOOD PREP MACH.	53,057,244
668	PRINTING MACHINES	73,130,719
670	TEXTILE MACHINES	4,438,571
672	SEWING MACHINES	70,711
673	SHEARS, SQUARING	34,400
674	MACHINES FOR WORKING METALS	9,733,670
676	DATA PROCESSING/OFFICE MACHINES	10,208,550
678	SORTING/CRUSHING/GINNING MACHINERY, ETC.	29,173,754
680	BEARINGS, BALL OR ROLLER	1,628,382
682	TRANSFORMERS/GENS/MOTORS/BATTERIES	86,889,030
683	HAND-DIRECTED TOOLS W/MOTOR/STORAGE BAT.	6,772,947
684	TELEGRAPH & TELEPHONE APPARATUS	1,906,136
685	RADIO & RADAR APPARATUS	146,330,663
686	ELECTRICAL FILAMENT LAMPS	329,259
687	ELECTRIC LAMPS & ELECTRONIC TUBES	120,861
688	TELEPHONE & TELEGRAPH WIRE & CABLE	31,460,938
690	RAILWAY EQUIPMENT & PARTS	23,231,335
692	MOTOR VEHICLES	74,375,437
694	AIRCRAFT, FOR AGRICULTURAL USE	6,200,415
699	SHIPS, BOATS, FLOATING STRUCTURES	4,366,841
703	SAFETY HEADWEAR	40,353
708	IND. SAFETY ARTICLES: GOGGLES, ETC.	2,745,730
709	MEDICAL & SURGICAL INSTRUMENTS	20,530,695
710	MEDICAL & SURGICAL APPARATUS	2,028,361
711	MEASURING/TESTING INSTRUMENTS	9,821,343
712	MEASURING/CONTROLLING INSTRUMENTS	2,676,657
715	PRECISION MACH	18,250

*Schedule B no. 692, Motor Vehicles, is coded to include material

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
FISCAL YEAR 1975 THTOUGH FISCAL YEAR 1985
BY COMMODITY GROUPING

(L/C Values in Dollars)

Schedule "B" No.	Description	Dollar Amount
722	PHOTOGRAPHIC EQUIPMENT	2,388,072
723	PHOTOGRAPHIC SUPPLIES	2,333,439
724	COMPUTER TAPES	300,100
727	FURNITURE: LABORATORY & OFFICE	8,178,000
770	RUBBER/PLASTIC PRODUCTS	7,005,534
771	POLYVINYL BUTYRAL	205,234
772	TIRES AND TUBES	2,661,142
773	ELECTICAL MACHINES	177,491
774	JOINT CLOSURES	8,855
793	EDUCATIONAL MATERIAL	16,339,493
797	SP PARTS MISCELLANEOUS	3,813,500
989	FREIGHT & RELATED COSTS	84,885,378
991	TECHNICAL SERVICES	5,376,976

Table VII

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
FISCAL YEAR 1975 THROUGH FISCAL YEAR 1985
BY USE CATEGORY

(L/C Values in Dollars)

COMMODITY DESCRIPTION	Dollar Amount
GRAND TOTAL	2,864,052,300
FOOD ITEMS	626,616,965
CHICKENS, FROZEN	61,202,256
CORN	449,260,306
LEGUMINOUS VEGETABLES	17,096,720
OIL-BEARING SEEDS, EXCL. PEANUTS	776,477
OILS, VEGETABLE	96,205,373
SEEDS, GARDEN & FIELD	15,600
SEEDS, OTHER	2,060,233
RAW MATERIALS	1,281,274,937
ALKOLOIDS, VITAMINS, ETC.	222,116
ALUMINUM BARS, SHEETS, PIPES, ETC.	151,616
AMPROL, IN PLASTIC BAGS	320,654
ANIMAL FEEDS & ADDITIVES	30,623,951
BEARINGS, BALL OR ROLLER	1,628,382
CALCIUM HYPOCHLORITE	113,641
CARBONS, ISOTOPES, WAXES, ETC.	33,284
CATHODE/INCAND.LAMPS, ETC.	44,541
CHEMICAL COMPOUNDS, ACYCLIC	7,187,945
CHEMICAL COMPOUNDS, CYCLIC	32,047,661
CHEMICAL ELEMENTS, INCL. SULPHUR	43,099,738
CHEMICAL MIXTURES & PREPARATIONS	1,184,321
CHEMICALS (ZEOFREE)	8,391
COKING COAL & MISC. NONMETALLIC PRODUCTS	205,692,475
COPPER PIPES/TUBES/FITTINGS, ETC.	1,120,710
COPPER SHEETS, RODS, WIRE, ETC.	3,577,985
COTTON	9,709,500
DYEING & TANNING PRODUCTS	4,314,947
EDUCATIONAL MATERIAL	16,339,493
ELECTROLYTIC MANGANESE DIOXIDE	36,675
FREIGHT & RELATED COSTS	84,885,378
GLASS PRODUCTS, FILTERS, ETC.	188,840
GRAPHITE ELECTRODES	8,818,833
INKS, PAINTS, AND RELATED PRODUCTS	25,153
IRON, SCRAP	2,271,500
IRON/STEEL BARS, INGOTS, RODS, ETC.	17,582,017
IRON/STEEL STRIPS, COATED OR PLATED	132,988,083
JOINT CLOSURES	8,855

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
FISCAL YEAR 1975 THTOUGH FISCAL YEAR 1985
BY USE CATEGORY

(L/C Values in Dollars)

COMMODITY DESCRIPTION	Dollar Amount
RAW MATERIALS (Cont'd)	
LUMBER, SIDING, FLOORING, ETC.	3,399,627
MANGANESE DIOXIDE	184,587
MANMADE FIBERS	80,944,366
MANMADE YARNS	27,099,053
METAL CONTAINERS	3,000,086
PAPER & PRODUCTS, INCL. WOODPULP	50,199,964
PAPER/PAPERBOARD IN ROLLS/SHEETS	18,947,459
PAPER/PAPERBOARD, CUT TO SIZE	2,035,649
PESTICIDES, SYNTHETIC ORGANIC	1,549,728
PETROLEUM PRODUCTS	145,480
PIGMENTS/PIGMENTLIKE MATERIALS	1,317,589
PLASTICIZERS, PHOTO & TEXTILE CHEMICALS	90,721
POLYVINYL BUTYRAL	205,234
PVC, METALIZED	351,831
REFRACTORIES, BRICK	1,051,686
RUBBER	2,863,572
RUBBER/PLASTIC PRODUCTS	7,005,534
SODIUM COMP., INCL. CAUSTIC SODA	1,022,564
SP PARTS MISCELLANEOUS	3,813,500
SP PARTS/EARTHMOVING EQUIP	425,144
SURGICAL SUPPLIES	88,228
SYNTHETIC RESINS & PLASTICS MATERIALS	10,305,742
TALLOW & OTHER INEDIBLE OILS	314,272,270
TECHNICAL SERVICES	5,376,976
TERGITOL	77,240
TIN & TUNGSTEN COMPOUNDS	54,989
TIRES AND TUBES	2,661,142
TOBACCO	137,863,272
TRAINING AIDS	135,000
WIRE CORDAGE/SCREEN/NETTING, ETC.	461,118
ZINC INGOTS	98,901
CAPITAL EQUIPMENT	956,160,389
AGRIC, HORTICULTURAL & FOOD PREP MACH.	53,057,244
AIRCRAFT, FOR AGRICULTURAL USE	6,200,415
BOILERS/ENGINES/PUMPS FOR LIQUID, ETC.	51,026,537
COMPUTER TAPES	300,100
DATA PROCESSING/OFFICE MACHINES	10,208,550
ELECTRIC LAMPS & ELECTRONIC TUBES	120,861
ELECTRICAL FILAMENT LAMPS	329,259
ELECTIRCAL MACHINERY	177,491
ELEVATORS/CRANES/EARTHMOVING EQUIPMENT	54,523,872
FOOD PROCESSING MACHINERY	4,903,446

COMMODITIES FINANCED UNDER AID COMMODITY IMPORT PROGRAM TO EGYPT
FISCAL YEAR 1975 THTOUGH FISCAL YEAR 1985
BY USE CATEGORY

(L/C Values in Dollars)

COMMODITY DESCRIPTION	Dollar Amount
CAPITAL EQUIPMENT (Cont'd)	
FURNITURE: LABORATORY & OFFICE	8,178,000
GENERATORS & SPARES	21,395
HAND TOOLS: SHEARS, PLIERS, ETC.	236,645
HAND-DIRECTED TOOLS W/MOTOR/STORAGE BAT.	6,772,947
IND. CERAMICS; INSULATED WASHERS, ETC.	1,395,325
IND. SAFETY ARTICLES: GOGGLES, ETC.	2,745,730
INTERCHANGABLE HAND TOOLS	771,106
MACHINES FOR WORKING METALS	9,733,670
MEASURING/CONTROLLING INSTRUMENTS	2,676,657
MEASURING/TESTING INSTRUMENTS	9,821,343
MEDICAL & SURGICAL APPARATUS	2,028,361
MEDICAL & SURGICAL INSTRUMENTS	20,530,695
MISCELLANEOUS HAND TOOLS	728,029
MOTOR VEHICLES *	274,375,437
PHOTOGRAPHIC EQUIPMENT	2,388,072
PHOTOGRAPHIC SUPPLIES	2,333,439
PRECISION MACH	18,250
PREFAB BLDGS, CHAINS, SPRINGS, ETC.	4,212,501
PRINTING MACHINES	73,130,719
RADIO & RADAR APPARATUS	146,330,663
RAILWAY EQUIPMENT & PARTS	23,231,335
REFRIGERATION & HEATING EQUIPMENT	19,450,279
SAFETY HEADWEAR	40,353
SEWING MACHINES	70,711
SHEARS, SQUARING	34,400
SHIPS, BOATS, FLOATING STRUCTURES	4,366,841
SORTING/CRUSHING/GINNING MACHINERY, ETC.	29,173,754
TELEGRAPH & TELEPHONE APPARATUS	1,906,136
TELEPHONE & TELEGRAPH WIRE & CABLE	31,460,938
TEXTILE MACHINES	4,438,571
TRANSFORMERS/GENS/MOTORS/BATTERIES	86,889,030
WELDING ELECTRODES/LIGHTING FIXTURES	5,821,291

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

ANNEX B

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Procurement of commodities and services under the grant will be according to established A.I.D. Reg. 1 procedures.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him??	The grant authorizes procurement from the U.S. only, except as A.I.D. may otherwise agree
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	Egypt does not discriminate against U.S. marine insurance companies.

4.	FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be 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.)	No such procurement is contemplated
5.	FAA Sec. 604(g). 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?	No
	Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?	N/A
	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 5 per centum of the gross tonnage of commodities (computed separately for dr 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?	It is not so excluded. A.I.D. Reg. 1, which is to be incorporated in the grant agreement, covers this requirement.

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?	Yes
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?	No such Contract is contemplated. However, if direct contract executed it will contain such a provision.

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)? — N/A

C. Other Restrictions

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

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

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? — YES, Additionally, any necessary determinations under this section will be made and issued.

4. Will arrangements preclude usen 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? **NO**

k. FY 1985 Continuing Resolution, Sec. 516. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? **NO**

3(A)2 NONPROJECT ASSISTANCE CHECKLIST

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

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

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

The FY86 Congressional Presentation notified the Commitee of AID's Plans for CIP activities.

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

No further legislative action is required to implement the program other than the customary ratification of the signed grant agreement. Such ratifications have been obtained without difficulty in the past.

3. FAA Sec. 209 Is assistance more efficiently and effectively given through regional or multilateral organizations? If

This program is not susceptible to execution as part of a regional multilateral program. Assistance is not expected to encourage regional development programs.

So, why is assistance no so given? Information and conclusion whether assistance will encourage regional development programs.

1. FAA Sec. 601 (a) Information and conclusions whether assistance will encourage efforts of the country to: (a) increase the flow of International trade: (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.	(a) This program will increase the flow of international trade by providing the necessary foreign exchange for the importation of goods. (b) The program is designed to foster private initiative and competition to the maximum extent possible. (c) No perceptible impact on such activities is attributable to this program. (d) No perceptible reduction of such practices is attributable to this program. (e) Imports of raw materials and spare parts significantly enhance the technical efficiency of industry, agriculture and commerce. (f) No perceptible impact.
5. FAA Sec. 601(b) Information and conclusions no how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	To the extent that trade patterns between Egypt and the U.S. continue to grow and expand, we foresee this program as having a positive effect.
6. 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 are utilized in lieu of dollars.	Program essentially provides foreign exchange assistance for commodity imports,. Minimal short-term contracts or other services are financed under the CIP.

7. 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.
8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes.
9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?	N/A
10. 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. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund	
a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA?	(a) It will promote economic stability by providing vital foreign exchange required for Egypt's development. Yes, the program reflects the policy directions of part I to the extent possible.
b. FAA Sec. 531(c). Will assistance under this chapter	No.

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

Yes, Local currencies will be available to support activities consistent with the objectives of FAA sections 103 through 106.

d. ISDCA of 1985 Sec. 205. Will ESF funds made available for commodity import programs be used for the purchase of agricultural commodities of United States-origin? If so, what percentage of the funds will be so used?

Yes, At least 39% of the funds will be so used.

e. ISDCA of 1985 Sec. 801. If ESF funds will be used to finance imports by an African country (under a commodity import program or sector program), will the agreement require that those imports be used to meet long-term development needs in those countries in accordance with the following criteria?

(i) spare parts and other imports shall be allocated on the basis of evaluations, by A.I.D., of the ability of likely recipients to use such spare parts and imports in a maximally productive, employment generating, and cost effective way;

(ii) imports shall be coordinated with investments in accordance with the recipient country's plans for promoting economic development. A.I.D. shall

assess such plans to determine whether they will effectively promote economic development;

Not applicable. The Egypt Program, while located largely on the African continent from a strictly geographical standpoint, is administered by the Asia/Near East Bureau and is considered to be politically, economically and culturally within that geographic area. Therefore sections of the ISDCA applicable to African countries are not considered applicable to the Egypt program.

(iii) emphasis shall be placed on imports for agricultural activities which will expand agricultural production, particularly activities which expand production for export or production to reduce reliance on imported agricultural products;

(iv) emphasis shall also be placed on a distribution of imports having a broad development impact in terms of economic sectors and geographic regions;

(v) in order to maximize the likelihood that the imports financed by the United States under the ESF chapter are in addition to imports which would otherwise occur, consideration shall be given to historical patterns of foreign exchange uses;

(vi) (A) seventy-five percent of the foreign currencies generated by the sale of such imports by the government of the country shall be deposited in a special account established by that government and, except as provided in subparagraph (B), shall be available only for use in accordance with the agreement for economic development activities

which are consistent with the policy directions of section 102 of the FAA and which are the types of activities for which assistance may be provided under sections 103 through 106 of the FAA;

(B) the agreement shall require that the government of the country make available to the United States Government such portion of the amount deposited in the special account as may be determined by the President to be necessary for requirements of the United States Government.

f. ISDCA of 1985 Sec. 207. 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 country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin American (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States? — No.

g. 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? — Yes.

ANNEX C
Trade Financing Facility (TFF)

A tentative allocation of $10 million has been made for the TFF in FY 1986. On a case by case basis, existing CIP funds will be set aside to provide mixed financing with other financial institutions for internationally competitive imports of U.S. source and origin in transactions that qualify under the TFF criteria. The set-aside funds will provide acceptable transactions with a package of credit terms that match clearly defined mixed credit terms offered by foreign financing facilities for non-U.S. commodities.

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

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

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

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

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

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